COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs): THEIR UNIQUE ROLE AND CHALLENGES SERVING LOWER-INCOME, UNDERSERVED, AND MINORITY COMMUNITIES

HEARING

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COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs): THEIR UNIQUE ROLE AND CHALLENGES SERVING LOWER-INCOME, UNDERSERVED, AND MINORITY COMMUNITIES

Tuesday, March 9, 2010

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 2 p.m., in room 2128, Rayburn House Office Building, Hon. Barney Frank [chairman of the committee] presiding.

Members present: Representatives Frank, Waters, Watt, Moore of Kansas, Baca, Miller of North Carolina, Scott, Green, Cleaver, Carson, Childers, Adler; Bachus, Biggert, Jenkins, and Lance.

The CHAIRMAN. The hearing will come to order. This is a hearing that is mostly about pretty good news, so that is why not many people are here. We are better at complaining than praising. And the media also pays more attention to criticism than to good words.

But the Community Development Financial Institutions Program is an example of something that works well. And, in particular, there have been suggestions that when the Federal Government tries to intervene to help lower-income communities and individuals in various ways, that somehow causes problems. The record, I think, is very clear that is not the case. If it is done well, this is very constructive.

And we are, therefore, pleased to have before us today two panels: first, those from the Administration; and second, a group of practitioners. I look forward to hearing from them.

The gentleman from Alabama is now recognized for his opening statement.

Mr. BACHUS. I thank the chairman.

I appreciate you holding a hearing on the CDFI Fund, and I appreciate our witnesses being here.

The program dates back, or my interest in the program dates back to my days as chairman of the committee's Oversight and Investigations Subcommittee in the late 1990's, when the Oversight Subcommittee led an investigation that uncovered serious irregularities and conflicts of interest in the Fund's process for awarding grants. And that investigation resulted in the resignation of the agency's two top officials and led Treasury to adopt a number of reforms to address the abuses identified by the subcommittee.

While I am confident that the fund is now being operated in a far more professional and transparent manner than was the case back then, I still have concerns about the program's effectiveness that I hope can be explored in today's hearing.

Community Development Financial Institutions are a source of subsidized capital to communities that face difficulties attracting funds for economic development. But the subsidy that the government provides is not free. We need to ensure that the CDFI Fund program is properly administered so that funds are provided to individuals and entities that both have productive uses for it and would otherwise not have access to financing.

CDFIs have a proven track record of providing economic development dollars to underserved communities. According to the Treasury Department, CDFI initiatives created or maintained more than 70,000 full-time jobs. This success should not, however, lead to looser standards. I hope our witnesses today, particularly the Treasury Department, will be able to be discuss the operational improvements that can be implemented as the CDFI Fund program evolves.

Finally, even though the program has had some successes in promoting capital investment in underserved communities, it would be wrong to redirect TARP money to this program. TARP was established to stabilize the financial system in a time of extreme market disruption. Given the alarming deficits that the country is running, the extraordinary measures that were taken during the financial crisis should be wound down as soon as practical, and that includes TARP.

And I am sure you all heard Doug Elmendorf, the CBO Director—I shouldn't go off the record, should I—say yesterday that we were in unfamiliar territory as far as the debt was involved and the deficit, so that ought to be a wake-up call to all of us. And of course, Federal Reserve Chairman Bernanke testified to us just in the past weeks that our debt and deficit was unsustainable. So, given these alarming deficits that the country is running, the extraordinary measures that were taken during the financial crisis should be wound down, and that includes TARP. It is time for the government to get out of the private market and let American businesses innovate and spur economic growth without the fear of government intervention.

I yield back the balance of my time.

The CHAIRMAN. The gentleman from Georgia is recognized for 2 minutes.

Mr. SCOTT. Thank you, Mr. Chairman.

This is indeed a timely hearing. With this very devastating economic dilemma we are in, minority communities are profoundly impacted, probably 2 to 3 times as devastating as the remainder of the economy is doing. And so we know that the economy is really going through some woes, so you can imagine what the minority communities are going through.

The one good thing about the CDFIs is this: You are targeted. You are purposeful at a time we need targeted, purposeful, focused resources targeting these minority communities. In my own State of Georgia, we have 18 of you doing a wonderful job, and 67 percent of that impact is impacting in the urban areas, 44 percent of that impacting minorities. I think this is crucial because the timing is important.

The Treasury Department, from my information, is looking to reauthorize the CDFIs, so it is very important that we have this hearing, that we hear from you what you are doing, how well you are doing, what more you can do, how many more resources you need. And it is also important to share with us how you measure your success, so that there can be no argument. You can say you are successful, but we need to know how you measure that. What determines your success, and what would it be like if you were not there helping these communities? What would it be like for them?

Because the history of it is that these CDFIs came about because of the outmigration of White communities. These communities became African American in many cases, and when the White community left, the banks left, and they were underserved. You came in, and you filled that void.

This is a very important hearing, Mr. Chairman. Thank you very much. I yield back the balance of my time.

The CHAIRMAN. The gentleman from Texas is recognized for 2 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the witnesses for appearing. And I am especially grateful to the President. President Obama has made a request for an additional $250 million in appropriations for the CDFI Fund for 2011. And I want to compliment the President for making such a request. It is obvious that these institutions have served us well, served us well, by the way, at a time when many other institutions were not serving us well. And I think that bodes well for what the institutions represent.

They do this, many times, on a shoe-string budget, in communities that are thought to be such that they cannot afford loans, cannot repay loans. But they continue to defy the odds, and they continue to make a difference in the lives of real people. I compliment the President and look forward to this hearing today. I have many questions that I would like to ask about the CDFIs, and I look forward to your answers.

Thank you, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

The CHAIRMAN. And we will now begin.

Our witnesses for the first panel are: Michael Barr, who is the Assistant Secretary for Financial Institutions at the Department of the Treasury; and Donna Gambrell, who is the Director of the CDFI Fund. Mr. Secretary?

STATEMENT OF THE HONORABLE MICHAEL S. BARR, ASSISTANT SECRETARY FOR FINANCIAL INSTITUTIONS, U.S. DEPARTMENT OF THE TREASURY

Mr. BARR. Thank you very much, Mr. Chairman, Ranking Member Bachus, and members of the committee.

This committee has a long and bipartisan history of support for the Community Development Financial Institutions Fund and CDFIs across the country. I want to thank you for the opportunity to testify today about the role of CDFIs in growing small businesses, in creating jobs, and in assisting economic recovery in distressed communities across the United States.

As we emerge from the worst economic crisis in generations, the Administration is focused on spurring greater job growth, ensuring that the recovery is firmly established. CDFIs are a critical and important piece of our broader commitment to an inclusive recovery. CDFIs provide capital, credit, and financial services to hard-to-reach communities and underserved populations. In both rural and urban America, they assist entrepreneurs and small businesses that are the vital engines of growth.

In today's economic climate, CDFIs' support to small business is more critical than ever. CDFIs report providing financing to over 10,000 businesses and over 1,600 commercial real estate properties in 2008. CDFIs also reported that they helped to create or maintain over 70,000 full-time jobs in that period. CFDIs are also able to reach underserved communities through innovative, responsible, affordable financial products and services. And the CDFI Fund has provided CDFIs with the necessary capital to spur innovation in the sector.

Take the example of one CDFI Fund award recipient, the North Side Community Development Credit Union in Chicago. North Side has developed an affordable small-dollar consumer loan which has saved community residents over $5 million compared to the alternatives.

The current economic environment has strained the resources of many CDFIs. They have also, at the same time, seen a dramatic increase in requests for their lending services, as other sources of credit have dried up. However, CDFIs have faced constraints in meeting that increased demand, in particular, a decrease in available funding from their primary funding sources. We strongly believe that further support is needed for CDFIs to help distressed communities manage through the economic downturn.

We have already worked with this committee, with all of you, to increase support for CDFIs through the Recovery Act, under which the Fund disbursed $98 million in awards within 160 days of enactment. That Act also provided the Department with an additional $1.5 billion in New Markets Tax Credit allocation authority for both Fiscal Years 2008 and 2009. We have recently announced a new program under EESA, the Community Development Capital Initiative, to extend low-cost capital to CDFI depositories and holding companies, including banks, thrifts, and credit unions.

And as we begin to emerge from this financial crisis, our Nation's distressed communities and the CDFIs that serve them will likely continue to lag behind broader economic growth. That is why it is so important to bolster the CDFI field capacity, as the President has suggested doing in the Fiscal Year 2011 budget. That budget requests $250 million for the CDFI Fund, including $140 million to the Fund's Financial and Technical Assistance Awards and $12 million in funding for Native communities.

We have made hard choices in the Treasury's budget. While not proposing funding this year for either the Capital Magnet Fund or for Bank Enterprise Awards, we have proposed two new initiatives. First, the budget request seeks $50 million for a Bank on USA initiative which will promote financial education, broader access to bank accounts, and other financial services to help families meet their financial needs and build savings.

Second, the budget requests funding for CDFI's participation in a new multi-agency effort, the Healthy Food Financing Initiative. This initiative will help provide the financing necessary to increase the availability of affordable healthy foods in underserved urban and rural markets. Treasury will devote $250 million of New Markets Tax Credit authority and $25 million in CDFI Fund Financial and Technical Assistance awards to this initiative.

In addition, we have requested $5 billion in New Markets Tax Credit authority for both Fiscal Years 2010 and 2011, and we have proposed allowing this authority to be offset against AMT liability. We are also working with the IRS on further reforms to make the credit work smoothly for small businesses. We look forward to working with the committee to support the CDFI Fund's work to help distressed communities weather the economic downturn and to support an economic recovery that reaches all Americans.

Thank you very much.

[The prepared statement of Assistant Secretary Barr can be found on page 45 of the appendix.]

The CHAIRMAN. Ms. Gambrell?

STATEMENT OF DONNA J. GAMBRELL, DIRECTOR, COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND

Ms. GAMBRELL. Good afternoon, Chairman Frank, Ranking Member Bachus, and distinguished members of the House Financial Services Committee. It is a pleasure for me to be here today to discuss the CDFI Fund. The CDFI Fund was established in 1994, and our mission is to promote economic revitalization and community development in low-income communities, primarily through investments and assistance to CDFIs.

There are several types of CDFIs: community development banks; thrifts; credit unions; loan funds; and venture capital funds. All of them specialize in serving low-income communities that lack access to credit, capital, and financial services from mainstream financial institutions. CDFIs are often the only institutions in their community that offer retail banking services and responsible loans for small businesses and micro enterprises, affordable housing projects, and community facilities. They also provide additional services, such as technical assistance for small businesses, and credit counseling and home buyer education to help borrowers use credit effectively.

Since the onset of the recent economic crisis, the CDFI Fund has been called upon to play an even larger role in promoting economic recovery in communities that have been hardest hit by the recession. Congress and the new Administration have taken significant steps to expand our impact.

We at the CDFI Fund have been mindful of the tremendous responsibility that we have been given in the midst of the economic crisis, and our recent accomplishments bear witness to our commitment of being a critical part of the Administration's strategy that brings economic recovery to all. When the recession first deepened, the CDFI Fund created a new advisory board subcommittee to assess the impact of the economic crisis on CDFIs.

We have already made significant progress in implementing many of their critical recommendations. We have streamlined key business processes to enable us to get funds to the communities that need them more than ever. On average, we now disburse awards—a process which used to take over 12 months—in 60 days. We now make decisions on all new applications for CDFI certification within 90 days.

Our actions implementing the Recovery Act were nothing short of extraordinary. Less than 100 days after the enactment of the Recovery Act, we announced financial assistance awards to 59 CDFIs and 10 Native CDFIs. Just 2 months later, we disbursed all $98 million. As Assistant Secretary Barr stated, the performance of the CDFI industry has been equally impressive. CDFI Fund awardees financed more than 10,000 businesses and created or maintained more than 70,000 jobs reported in 2009. These numbers speak volumes about the CDFI industry's resilience, commitment, and creativity in challenging times.

But I encourage you to look beyond the numbers, for there is much more to the story than statistics alone. Each business financed, each job created, and each home purchased represents a critical step in the transformation of a life, a family and a community, and that is what the work of CDFIs and the CDFI Fund is really all about. It is about changing lives and building stronger and more productive communities. It is about creating opportunity and giving hope.

As we celebrate the 15th anniversary of the creation of the CDFI Fund, this is an opportune time not just to reflect on what we have accomplished but to look forward and envision the steps we need to take next to create opportunity in our Nation's most distressed communities.

We have recently released a request for public comments and plan to take a thorough review of our entire authorizing statute, looking not only at technical and substantive revisions to existing provisions but also to provisions that have not yet been fully utilized.

But some of our next steps are already clear. The President's Fiscal Year 2011 budget builds on the CDFI Fund's recent momentum and requests $250 million in funding. In addition, it proposes two exciting new initiatives in which the CDFI Fund will play a key role: the Bank on USA Initiative; and the Healthy Food Financing Initiative. These are just a few initiatives that we hope to undertake in the near future and beyond. Many more must follow, and we stand ready if Congress were to ask us to increase our role in serving low-income communities.

Since the first days of the economic crisis, the CDFI Fund has answered the call to assist in the Nation's recovery, and I can assure you that we are prepared to continue answering that call. This concludes my testimony. On behalf of the CDFI Fund, I would like to express our gratitude for the support of Congress and the Financial Services Committee. We look forward to continuing to work with you in the future.

[The prepared statement of Director Gambrell can be found on page 90 of the appendix.]

The CHAIRMAN. I will begin by asking, because there is a whole complex of programs that we have been putting forward that aren't always sorted out in the public mind, and I know this is not the Community Reinvestment Act, but would either of the witnesses or both want to discuss, is there an interaction between this program and the Community Reinvestment Act?

Mr. BARR. I could say a word or two, and then maybe Director Gambrell would want to follow up.

The CDFIs out in the communities often rely, as a source of funding, on mainstream banking organizations. And those banks can obtain positive consideration under the Community Reinvestment Act for their investments in CDFIs across the country. So the presence of CRA likely increases the flow of capital to CDFIs from mainstream banks.

The CHAIRMAN. Ms. Gambrell?

Ms. GAMBRELL. We have seen financial institutions, Chairman Frank, contribute to CDFIs in a number of different ways. Some provide deposits in these organizations. Others actually collaborate with them on initiatives, such as affordable housing projects, small business development finance, and job creation programs, as well as counseling services, home buyer services, and financial education. So there are a number of ways in which traditional financial institutions have also partnered with CDFIs in a very substantive way.

The CHAIRMAN. A number of us, my colleague, Ms. Waters, who has joined us, and others, have felt, and we will begin the examination of that this year, that there is an argument for expanding the reach of the Community Reinvestment Act, because when it was originally enacted in 1977, it covered a much higher percentage of our financial institutions because of the diversification. So what I take from what you are saying is that if we were to expand the scope of the CRA, that could provide additional funds for the CDFI program?

Mr. BARR. I think that it is certainly the case, Mr. Chairman, that with respect to the banking organizations that have traditionally funded CDFIs, one of the reasons they have often cited for the extent of their engagement, in addition to other factors, is the Community Reinvestment Act.

As Director Gambrell indicated, they also appreciate the ability to co-invest with CDFIs as a way of reducing risks that they take. And so that package of activities has been beneficial to them.

The CHAIRMAN. My final question is, we have heard, I believe, wildly inaccurate imputations to the Community Reinvestment Act of responsibility for mortgages that shouldn't have been made. Now CDFI has a pretty good record. The ranking member mentioned a time earlier when there were problems. We have not in this current set of rules found too many people coming forward who want to be critical. I wonder, to the extent that the Community Reinvestment Act is sometimes blamed for things which I think there is no basis for, in the interaction between CDFI and CRA, would anybody have any basis to claim that this has led to imprudence of any kind?

Mr. BARR. I think the record is reasonably that with the experience of CDFIs in low-income communities, that they are able to make loans that are more difficult for other institutions to make. There certainly have been losses in low-income communities, as there have been in many communities across the country, given the financial crisis that we are in. I wouldn't think that those are linked in any way to CRA.

I think that if you look at the record under CRA, the Federal Reserve data, with respect to CRA, suggests that it really is not linked to the subprime crisis that we just experienced. That subprime crisis really started with a fundamental lack of a level playing field with respect to underwriting standards and a race to the bottom in our country. So that is where I would suggest the problem lies.

The CHAIRMAN. The gentleman from Alabama.

Mr. BACHUS. Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Gambrell, do me a favor, because I made a big thing about—stop the clock. The light that tells members on this side when their time is expired, we obscured it with your name tag. Would you just push that little doo-hickey there? All right. There we go. Thank you.

Mr. BACHUS. She can wait till after I am through questioning. You can cover it back up till I am through.

Thank you, Mr. Chairman.

Given the relative stability, well, I don't know. Let me just ask this: Is it appropriate to use TARP funds, Mr. Barr, to fund CDFI?

Mr. BARR. Sir, our judgment, Mr. Bachus, was that, given the financial crisis that we have just come through and the instability in the financial sector, including in small banks, community banks across the country, community thrifts across the country, and Community Development Banks across the country, that it was important to offer a support under the Economic Stabilization Act for those institutions. And CDFIs are one of the kinds of institutions, including community banks, that we thought it was really important to provide assistance for. So I do think, in our judgment, we need to weigh taxpayer concerns always, but the overriding goal that Congress gave us with respect to financial stability, we thought it was an appropriate aspect of our community bank efforts.

Mr. BACHUS. I understand that there is still economic instability and challenges in those communities.

I saw Danny Davis mentioned in your testimony, Director Gambrell. He said it is, "the community of need in search of a sea of opportunity" or something. But I am just, is TARP, which was envisioned as a temporary program, and not always probably directed towards the smallest in regional communities, but I am not sure, I don't think it was ever envisioned as to start using that as opposed to the appropriation process.

Mr. BARR. Well, I think those are completely separate issues.

I would agree with you, Mr. Bachus, that the appropriations process is to support the CDFI Fund's ongoing work in supporting CDFIs across the country.

The Emergency Economic Stabilization Act is for an emergency. It is a temporary program. The program that we have set up, the initiative we have set up for CDFIs is a temporary program. It is not a substitute for appropriations in any way. It is designed, as are our broader programs, for community banks—to deal with the fact that it is not just big banks that got hit by the financial crisis.

In fact, the financial crisis caused enormous harm to community banks and thrifts across the country. And that is why we think, given the emergency situation, that was an appropriate use of EESA funding consistent with what Congress asked us to do.

Mr. BACHUS. Were there some CDFI institutions—not the banks—that participated directly in TARP?

Mr. BARR. Under the initial community bank program, there were some CDFI banks and thrifts that participated in that program.

Mr. BACHUS. But they were all banks or thrifts?

Mr. BARR. Excuse me, sir?

Mr. BACHUS. They were all banks or thrifts?

Mr. BARR. Under the initiative that we announced recently, the institutions that are eligible are insured depositories. They have to be a credit union, a bank or a thrift. That is consistent with the community bank program from before.

We are looking at whether there are ways to assist with the instability in the loan fund sector, but that is not something that was part of what the President announced or what the Secretary announced.

Mr. BACHUS. And these are for the 2 percent loans basically? Is that what—

Mr. BARR. It is 2 percent—capital with a 2 percent dividend rate; up to 5 percent risk weighted assets under the program.

Mr. BACHUS. Okay. Tell me about Bank on America. Do either one of you want to comment on that? I know that it is a real problem in all communities, really, but obviously, it impacts our lower-income communities.

Ms. GAMBRELL. Correct.

Mr. Bachus, the Bank on USA Initiative is focused on—and I think we all understand the impact in these communities that suffer from very high fees, have been victims of predatory lending, do not have affordable consumer products and services that are available. This initiative is to look at ways in which we can replicate models across the country, through partnerships with State and local government, nonprofit organizations, CDFIs, and others that will provide the kind of access to credit, bringing those populations into the economic mainstream by creating and maintaining bank accounts, savings accounts, individual development accounts, and other types of services.

So there are a number of components to the initiative itself, but the underlying, and I think, the most critical piece is really looking at ways in which we can identify those low-income populations, or low-income communities and help bring people into the financial mainstream.

Mr. BACHUS. I am not sure we have trouble identifying them. We know there is—but I do know the need for that.

I thank you.

Ms. WATERS. [presiding] Thank you very much.

I would like to try and determine where the CDFI Funds are actually going and whether or not they are really impacting the poorest communities in our country. I don't know if you have done the kind of research that would match up your CDFI effort with the poorest areas in the country so that you would be able to say that, for example, there are CDFI institutions in Tupelo, Mississippi, where the poverty rate is so-and-so. Have you done that kind of look at where the funds are going?

Ms. GAMBRELL. Thank you for the question, Congresswoman Waters.

Our CDFI customers, when you look at the demographics, you can see that: 70 percent of them are low income; 60 percent are minority; and 52 percent are women. Of the 824 certified CDFIs that exist, we have CDFIs in every State of the country. As part of their certification, when they come to Treasury to be certified, one of the criteria that they have to meet is that they have a commitment to, in fact, serve those low-income areas substantively. So as we continue to do our research, as we continue to get reports from the CDFIs, we certainly see that they are serving those communities in very substantive ways.

And you will certainly hear in the second panel ways in which that is done. But clearly, they are doing the work that they need to do to make sure that these communities' needs are met.

Ms. WATERS. Ms. Gambrell, one of the things you are going to find from many of the members of this committee is a real effort to determine where the resources are going that we work for. For the members who are present here today, they represent many of the areas that have not benefitted from many of the programs we have fought for. Some of us were here when we created the CDFI, but some of us look at our districts, and we are not so happy.

So as we look at everything that we do in government, whether it is stimulus money or CDFI funds, we are beginning now to evaluate whether or not the work that we do is reflected in how those communities either benefit or do not benefit from our efforts.

So one of the things I would like to do is, not for everybody on the committee, but for the members who are here today, we have 1, 2, 3, 4, 5, 6 members who are present, 7 members, coming in with Mr. Scott. I would like to do an evaluation of each of these seven districts as it relates to your CDFI efforts. I would like you to take each of these districts. We will make sure you get the names and the districts of all the members who are present now. Any more coming in, they are not going to be added. And we would like to know exactly what is happening in each of our districts, not only—I think as I look here, the way that you have divided up the institutions that are available for the utilization of CDFI funds, it looks as if it is banks and credit unions, and then you have some kind of committees, etc. I want to see all of those in our districts, how each of those organizations work and whether or not we are getting the benefit of the CDFI program.

Ms. GAMBRELL. And we would be happy to share that information.

Congresswoman, I have also met with several of the members here already, provided that information to them. But we would be happy to do that again.

Ms. WATERS. Okay. Just put it all in one big package so I can look at it, too.

Ms. GAMBRELL. Okay. Certainly.

[The information requested by Representative Waters can be found on page 118 of the appendix.]

Ms. WATERS. I thank you very much for that.

And I am going to move on to our next member of the committee, Mr. Mel Watt.

Mr. WATT. Thank you, Madam Chairwoman.

And I want to express my thanks to the chairman of the full committee for convening this hearing.

I actually have had the opportunity to meet one-on-one with Director Gambrell, and raised some questions with her, which she has been kind enough to respond to in writing. One of the concerns that I have expressed over the years is the extent to which people, community development institutions which ought to be a CDFI are actually getting into the Fund, on the one hand, and the extent to which the ones that are certified as CDFIs are using the fund, using what is available to them, on the other hand.

I have had some discussions with Ms. Gambrell, and we are going to reach out to some of the institutions in my congressional district to try to get them more focused on the benefits of what is available. One of the things we have found is that, especially in the last couple of years, when things have been so tough, most people who are interested in day-to-day survival, you spend so much time surviving day to day, that you don't always look at the other opportunities that might be available that where you are doing more forward-looking and global evaluation of opportunities that might help you to survive day to day.

So I have already had discussions with, just yesterday in fact, Ms. Gambrell. You will be happy to know that I had a discussion with Ms. Saunders over at Mechanics and Farmers Bank, and told her that I was planning to send her some information. So I have had my opportunity to talk with Ms. Gambrell.

I do want to ask, because one of the things Ms. Gambrell has provided to me is the criteria for the new program that the President just announced. And I wanted to get Mr. Barr's assessment of whether that has been out there long enough for you to make even a preliminary assessment of the willingness or apparent willingness of CDFIs, and non CDFIs, I guess, would also be eligible to use that program, because a lot of the impediments that we thought were out there that were keeping financial institutions from using the top moneys and getting involved with these programs, some of those seemed to have been stripped away. Has that had any impact that you have discerned yet? Does it seem like this is going to be successful?

Mr. BARR. Well, I think, Representative Watt, that what we did in designing the program really from last fall through the announcement was spend an enormous amount of time with CDFIs across the country, hearing their concerns, listening to their needs, and trying to design a program structure that was going to be responsive to the kinds of concerns that had been expressed to us. We had been told by them that the program we have announced will be useful to them. It is too early for us to judge, as an empirical matter, whether the institutions coming in are going to be able to use the program. We are very encouraged by the conversations we have had. We are very encouraged by the interest we have had.

The applicants for the program will need to come in during the month of April, so quite soon, and then we will have a much better empirical sense of the scope, scale and effectiveness overall of the program.

Mr. WATT. How long will the processing time be for you to get somebody started on this new program and get them approved?

Mr. BARR. I think the process should be quite rapid. They do need to check with their primary Federal regulator, again, a basic taxpayer protection. But with respect to the Treasury part of the program, we made the form quite simple. It is a one-page form. It is available online. We have been working to expedite the processing to set it up in advance so that it is quite streamlined, particularly for smaller institutions, the community banks and thrifts across the country, the CDFIs across the country. So I am encouraged by that. But the proof will be in the pudding. We will come back to you and show you what we have done.

Mr. WATT. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman from Kansas.

Mr. MOORE OF KANSAS. Thank you Mr. Chairman.

At a hearing a few weeks ago which focused on job creation, the economist Mark Zandi included in his testimony a chart of what kind of multiplier effect various types of spending proposals would provide.

Along the same lines, Assistant Secretary Barr, I appreciate the statistics you provide that, "CDFIs reported providing financing to over 10,000 businesses and over 1,600 commercial real estate properties in 2008." In a time when the commercial real estate market is under immense pressure, I am sure you agree this financing can only help stabilize the market, even if in a small way. You also point out that CDFIs also report they help create or maintain over 70,000 full time jobs in this period. How can Congress build on these successes we have seen with CDFIs? Are there improvements or other ways CDFIs can maximize their economic impact?

Mr. BARR. Thank you, Representative Moore.

I will start, and then Director Gambrell will add a few remarks.

I fully agree with you. I think CDFIs can be an important additional financing tool on the commercial real estate market. And for small businesses and entrepreneurs across the country, they have a proven track record in doing that. I think we are able to get the funding at the President's request for CDFI, which is $250 million for 2011. That will be a really strong statement of the Congress standing behind small businesses and small business growth.

I think if we can get the New Markets Tax Credit that we have asked for, for 2010, which is still pending, if we can get that done for this year, together with a fix to permit New Markets Tax Credits to be offset against AMT liability, that will be another big boost for small business growth, and the same with 2011 for the New Markets Tax Credit.

We have a number of initiatives we are trying to pursue. The Healthy Food Financing Initiative will help entrepreneurs provide green grocer kind of activities in distressed communities and help rural areas with farmers bringing their food to market. So I think it is a win/win for everybody, and we welcome working with you on it.

Mr. MOORE OF KANSAS. Thank you.

Ms. Gambrell, do you have anything to add?

Ms. GAMBRELL. Congressman Moore, thank you very much.

I think when you look at the CDFI industry, clearly they want to continue to grow. That growth is very important to them. The expansion of CDFIs continues to be an important priority for us as well. So as we move toward the future, I think it is very important for us to look at those organizations that continue to do that good work in communities, have an opportunity to become certified CDFIs to take advantage of our funding, and for us to have that continued support to make sure we are helping CDFIs continue to grow. The leveraging that CDFIs do is extraordinary in terms of how they are able to use our funding. They are able to get the money out quickly and effectively into those communities. And I think that, again, their track record is something that we need to continue to support.

Mr. MOORE OF KANSAS. Thank you.

While a budget request to increase appropriations for the CDFI Fund by $250 million might not seem like much when we have gone through a major financial crisis and painful recession which has cost hundreds of billions of dollars, I hope the additional resources can be used effectively to the fullest extent possible. What oversight and fraud prevention mechanisms are currently being used or should be utilized to minimize any waste or fraud with the use of these funds? Either one of you, please.

Ms. GAMBRELL. Congressman Moore, we thank you for the question. We have a number of systems in place within the CDFI Fund. Not only do we see the applications at the front end and have specific criteria for how we are actually assessing those institutions, but within the Fund itself, we have a Compliance Monitoring and Evaluation Unit that does on-site examinations, assessments, as well as internal assessments of those CDFIs. We get a lot of information from CDFIs through the year as well.

In addition to their annual reporting, they are continually providing good information to us based on audit statements and other types of self assessments that they are doing as well. So we believe that we have the infrastructure in place to make sure that we have good information about the CDFIs, and that we clearly understand their soundness as they, again, continue to do the work that they do.

Mr. BARR. And I should just add, Representative Moore, that in the CDFI Fund budget for 2011, within the $250 million, there is important additional money to be sure that we have the infrastructure in place, the systems in place to continue that strong record.

Mr. MOORE OF KANSAS. My thanks to the witnesses.

I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from California, Mr. Baca.

Mr. BACA. Well, thank you very much, Mr. Chairman, for having this hearing.

And I want to thank the minority ranking member.

The first question I have is, I want to start off by talking about the Small Business Lending Initiative that was announced a few weeks ago by the Administration. It is my understanding that the regulators will have a large role in deciding who is able to participate and receive funds from that initiative. My fear is that the Funds will have a limited role, and I state, a limited role in that process, and the regulators will be unable to accurately assess which institutions can and should take advantage of it.

Question number one, can you comment on the role that CDFI Funds will have in this process?

And then question number two, who will have the final say in this process, the CDFI Fund or the regulators?

Mr. BARR. Under the program that was announced, consistent with prior programs announced within the Office of Financial Stability, the credit union, bank, and thrift regulators need to make a determination that the institution is operating in a safe and sound manner. Under the CDCI initiative that was announced, in making that assessment, the regulators will take into account the ability for these CDFIs to reach that safe and sound level using a matching fund, so not simply through private capital, but can use Treasury funds up to a one-to-one match to reach that appropriate level. So we think that that combination of insurance taxpayer protection, with Treasury matching to viability will be a quite strong measure for those funds going in. That program, then, once there is a bank regulator review, that will go to the Office of Financial Stability for final approval within the Treasury Department.

Mr. BACA. So who will actually make the final decision then?

Mr. BARR. It goes from the bank regulators to the Office of Financial Stability, and that decision is made at that point by the Office of Financial Stability.

Mr. BACA. Okay.

I also want to talk about the CDFIs creation. It is my understanding that there are 4 Hispanic, and I state, 4 Hispanic-focused CDFIs in existence now, out of 1,200. Why are there only 4 out of 1,200 CDFIs that are Hispanics? Can you answer that? Why only four?

Ms. GAMBRELL. Congressman Baca, thank you.

I don't have that number, and in fact, I will have to get the exact number. We are constantly looking at the number of newly-certified CDFIs. I think we have, especially this year, done some significant outreach, particularly to Latino community organizations as well, Latino communities, to really talk about and really encourage them to look at our programs and look at the benefits of becoming a certified CDFI. So if I could, I would like to get back with you on the list that we have as well of those Latino organizations. But I can say this—

[The information requested by Representative Baca can be found on page 177 of the appendix.]

Mr. BACA. Yes, I know which four exist right now. But beyond that, that is only 4 out of 1,200. And yet we are looking at our population being 17 percent total population of the United States, and then approximately, will be about 25 percent by the year 2030. So if we are lagging behind, we need to begin to start looking at providing the service to an underrepresented community right now.

Ms. GAMBRELL. That is correct. And our interest is looking at the diversity of those pool of organizations that are certified CDFIs. And also, of course, we look at the CDFIs and the community that they serve. So it is, for us, we want to be sure that the priorities are in two areas: that we have a good robust pool of certified CDFIs that are serving communities, including Latino communities; but also, the CDFIs that exist already, we want to be sure that they are also looking at those communities, identifying the needs and then providing products and services. We think that certainly, on one hand, certified CDFIs that already exist are doing that again in a very significant way.

Mr. BACA. Okay, if I may continue my questioning, because my time is almost up. I see the yellow light.

However, we know of other organizations that focus on minority business development interest in creating CDFIs that currently provide technical assistance but lack appropriate lending facilities. Given the value of CDFI small business lending programs, have you explored the possibility of accelerating the application process or narrowing other requirements like time requirements for financial activity in order to approve or consider those entities that would otherwise qualify?

Ms. GAMBRELL. One of the things that we are doing, Congressman, is that we are continually looking at our internal processes. So we have reduced the amount of disbursement time that it takes to get awards out. We have reduced the amount of time that it is taking organizations to get certified. We think that there is always room for improvement and that we can do more. But in many ways, we have in this past year, in particular, decreased the amount of processing time anywhere between 50 and 75 percent. The Fund has a long reputation of working very efficiently and quickly to get money out the door, to get funding out the door, and we will continue to look for ways in which we can do an even better job.

Mr. BACA. So when should we come back and assess you and evaluate to see what processes you have done?

Ms. GAMBRELL. One of the things that we are putting into place in this current round is that we are looking at streamlining our applications, making that a little bit easier for organizations that are applying for our funding, cutting down on the amount of paper, which is always, I think, a welcome from any organization that is applying for funding. We are looking at ways in which we can have even greater impact in communities for those organizations that are receiving funding from us. So I would ask that you take a second look after this round is through, this current round is through, because I think we will clearly see some improvements as well.

Mr. BACA. Thank you.

The CHAIRMAN. I am going to ask, by the way, Ms. Gambrell has promised to give further information. I noticed in several of the statements that we have afterwards, there were some very specific proposals made, and so I will ask the Secretary and the Director to respond to those to us in writing. There were some specific proposals that we asked for about how to improve, change, some legislative, some administrative, so we will ask you to review those and get back to us.

[Responses to panelist's proposals can be found on page 165 of the appendix.]

The CHAIRMAN. The gentleman from Georgia.

Mr. SCOTT. Yes. How does the CFDI—

The CHAIRMAN. I apologize. We have been joined by a member on the other side, the gentleman from New Jersey.

Mr. LANCE. Thank you, Mr. Chairman.

And good afternoon to you all. I think it is clear that the Community Development Financial Institutions have been successful in bringing greater capital and investment into America's economically distressed areas. And I cannot imagine that there is a congressional district anywhere in the United States that has not benefitted from your fine work.

It seems to me that there is general agreement that CDFIs have played a constructive role in rebuilding poverty-stricken and transitional neighborhoods and have helped to bring economic opportunity to individuals living in markets considered to be underserved by the financial services industry. Providing access to credit and investment capital is a primary step toward creating and retaining jobs, and obviously, creating jobs is what is at the heart of our work at the moment in Congress.

It also revitalizes neighborhoods, develops affordable housing, and supports small businesses. And certainly, our goal is for that to continue to the greatest extent possible.

To you, Ms. Gambrell, given the historically large amounts of funds distributed by the CDFI Fund in 2009, and the speed of the disbursement, do you think that standards for awarding grants were in any way modified or lowered in 2009?

Ms. GAMBRELL. Thank you for the question, Congressman.

Mr. LANCE. Certainly.

Ms. GAMBRELL. No, I don't. In fact, we were very methodical and thorough in our review processes for the 2009 rounds. We have what is called a triple-blind review process where we get a number of outside reviewers with expertise in community economic development issues who come in and read our applications. That goes through several other iterations even before recommendations are made. That process did not change in this current round, in this last round that we had. We continued to be, again, very careful, very thoughtful about the process itself and clearly, I think, had not only staff in place but outside expertise as well to help us work through that process.

Mr. LANCE. And could you explain in a little greater detail how the triple-blind process works?

Ms. GAMBRELL. Yes. We have three reviewers who are assigned to one application. Each of our applications gets three sets of eyes on it in the initial phase. Those applications then are reviewed to make sure that they adhere to the criteria as set forth with that particular program or initiative. The reviewers then make recommendations. Their recommendations are forwarded to a second panel that takes a look at their ranking of those CDFIs that have come in for funding. A determination is then made from that list. The recommendations then move forward to still another round of reviews before a team leader is actually able to take a look and look at the recommendations and make a final determination.

I don't get involved in that process, and I think it is important for me to make sure that there is an understanding that this is an arms-length process, as it should be, a firewall between that process and those reviewers.

But when the final recommendation does come to me, those reviewers have taken great care in making sure that there is institutional diversity, geographic diversity, and that the funds are going to those organizations that have provided extraordinary comprehensive business plans on how they plan to use the funding.

Mr. LANCE. Thank you.

Mr. Barr, do you have any comments regarding that?

Mr. BARR. I think Director Gambrell handled it very well. Thank you.

Mr. LANCE. Thank you. Would you—there will be a subsequent panel, and I think it is probably unfair to ask you about what we expect the testimony to be from the subsequent panel, but obviously, on our side of the aisle, we would like you to comment as that subsequent panel articulates its point of view.

Thank you, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. The gentleman from Georgia.

Mr. SCOTT. Thank you, Mr. Chairman.

Let me just ask, for the record, how do you target the underserved communities? Is it by something like household income? What is that criteria?

Ms. GAMBRELL. Congressman Scott, we have some very specific criteria. We start with the qualifying census tracts, of which there are about 25,000 tracts that qualify that are low income, where there is high unemployment, high poverty, and look at those, start with those census tracts. But in particular, what we are doing as part of our outreach is making sure that those CDFIs that are in those highly distressed areas are aware of our programs so that they can come to us for that funding. And if they qualify, and if there is funding available—we have a high demand, as you know, for our programs. But if that funding is available, then those are the organizations that receive the funding.

Mr. SCOTT. Very good. Let me ask you this, because I think the real central issue that we have to grapple with here is your lack of access to capital, so let's talk about that for a moment. From what I understand, you have gotten about $100 million through the stimulus, and the Administration is asking for $250 million for the appropriation. And then there is something called a New Markets Tax Credit. Could you—and that is it. Is that enough? Can you tell us if that is enough of access to capital to do what you are doing? And if not, we need to know here today what legislative fixes we need to do to give you the level of capital you need.

Mr. BARR. Let me, if I could, Representative Scott, take a first cut at that.

The Administration has requested funding for the New Markets Tax Credit of $5 billion in 2010 and 2011. We still haven't closed out the 2010 New Markets Tax Credit extension.

Mr. SCOTT. But let me ask you something about that, because—can you explain what the New Markets Tax Credit is? And especially at a time when all these tax credits—and I don't know if New Markets is different, but these tax credits are losing their value because of the housing stop. Isn't that a problem? Could you explain what those are?

Mr. BARR. Certainly, Representative Scott.

So, the New Markets Tax Credit is a bipartisan initiative. It was put in place now about 10 years ago. And it is designed to bring new sources of private-sector capital for business development, for charter schools, for community development in low- and moderate-income rural and urban communities.

And the way it works is community development entities apply to the CDFI Fund on a competitive basis to receive an allocation. And they then use that allocation to attract private-sector resources. The tax credit then goes to the investor, and the investor gets a tax credit equal to 39 percent of their investment. It is patient capital investment over 7 years.

So it is a tax credit that is allocated by the CDFI Fund on a competitive basis. And it is then used to build commercial real estate, to do small business, to do entrepreneurial efforts in low-income communities.

It has had a more difficult time in the financial crisis. It is one of the reasons why we want to be sure that you can use New Markets Tax Credits to offset AMT liability, and that will expand the investor base.

Mr. SCOTT. I see my yellow light coming on, so I don't want the chairman to gavel me before we get to the crux of my question, which is: Is that sufficient? Are these sources sufficient? And, if not, tell us what you need us to do.

Mr. BARR. I think the first thing I would say is, let's get the AMT relief and get the $5 billion authority for 2010, let's get the $5 billion authority for 2011, let's get the CDFI Fund budget at $250 million. That would make a huge difference in low- and moderate-income communities around the States. There are never enough resources, and people are hurting. But I think this is a very, very strong step.

Mr. SCOTT. So those legislative fixes, again, would be the AMT relief, make sure we get the $250 million that he is asking for, and what was the other thing you needed?

Mr. BARR. And then the 2 years, the $5 billion in New Markets allocation authority for 2010 and the same for 2011. That would make a big difference in low-income communities.

Mr. SCOTT. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Texas?

Mr. GREEN. Thank you, Mr. Chairman.

Again, I thank the witnesses for testifying.

So that we can paint a proper picture, is it safe to assume that we have some low-income communities that are Anglo? I mention this only because—

Mr. BARR. Of course.

Mr. GREEN. —the perception seems to exist that this is another type of affirmative action program or something that is designed specifically for minority communities, which is not the case. This has benefited persons across—

The CHAIRMAN. If the gentleman would yield, a casual observer looking at the attendance at the hearing might be inclined to think so.

Mr. GREEN. Well, sometimes the person who is the voice of a program can project an image, too. And I just want to make sure that people understand that this has been a great program for people, regardless of ethnicity.

And I really am curious as to why you were successful to the extent that you were when we had the downturn in the economy, when we had other banks, community banks and other banks, institutions that were not. Can you give me just some insight as to what helped you to weather the storm?

Mr. BARR. Well, I would say, first of all, Representative Green, that a number of low-income communities were badly hit, including CDFIs. But many CDFIs had performance records that were better than their peers in similar circumstances. And I think that is because CDFIs are used to adversity, and they are used to finding creative ways of doing risk mitigation. They are used—

Mr. GREEN. Let me intercede right there. Let's have an apples-to-apples comparison. Let's take a business loan. You make business loans, small business loans. And that is a great thing, by the way; I commend you for it. Why is it that your small business loans were successful in terms of repayment as opposed to small business loans that were made by some other institutions?

Mr. BARR. I think that you are going to hear a little bit of that in the second panel from the CDFIs across the country that are making small business loans. But it is basically knowing their customer, building relationships, providing business advice and business assistance. It is knowing your community that you are serving. It is finding creative ways of sharing risks with others.

And I think the strategies are proving effective even in this downturn, although, as I said, many low-income communities and many business loans are suffering in this downturn for CDFIs. It is just that, in many circumstances, they are able to weather a little bit better than their peers in similar circumstances.

Ms. GAMBRELL. And, Congressman Green, if I may, sometimes it is as simple as the CDFI being physically located in that community. As Assistant Secretary Barr said, they know their customers; they see their customers day-in and day-out. And so this is a neighborhood that is used to seeing that CDFI, has access to the CDFI, knows the people who work there, and there has been a level of trust and comfort that has been established and nurtured over many years.

Mr. GREEN. As we move forward, what would you recommend that we do here in Congress to assist you such that you can become fully capitalized, as is the case with banks? Banks would like to be fully capitalized. What would you recommend we do to help you become fully capitalized so that you can meet the demands of the market, not make loans arbitrarily and capriciously, but continue to make good, solid loans that people will repay and help small businesses to grow and flourish and help people to get jobs? What would we need to do to help you meet your demands?

Ms. GAMBRELL. Well, I think the Assistant Secretary has talked a little bit about that. Certainly, from the New Markets Tax Credit side, there are parts of the program that will continue to be important for us to move the New Markets Tax Credit forward and to make sure we have a robust program there. Clearly, even from our financial assistance and technical assistance grants—

Mr. GREEN. I am more concerned about the small business loans. The New Markets, I am familiar with, and that deals with areas, generally speaking. But small business loans?

Ms. GAMBRELL. Yes. And so, from our financial assistance and technical assistance grants, those grants, in fact, have been used to continue to spur small businesses and to help with small business investments. I think that, again, to continue to see the expansion and growth of that program is going to be important to those CDFIs that are supporting those small businesses.

We are also looking at ways on the New Markets Tax Credit side, as well, to look at ways in which the tax credits can also be used to further support small—

Mr. GREEN. My time has expired. I yield back. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Missouri?

Mr. CLEAVER. Thank you, Mr. Chairman.

Thank you, Mr. Barr.

And, Ms. Gambrell, I thank you for being with us last Wednesday, the CBC.

Mr. Barr, when loans are made and Treasury transmits those loans to the regulators, how do we know that they know that these are high-risk loans? And is there any way in which regulators can take that under consideration when they are dealing with the borrowers?

Mr. BARR. I think that we operate, obviously, a step removed in the process, in the sense that community development credit unions, banks, and thrifts are directly making the loans. The funds from the Treasury are going to support their making those loans.

We have had an ongoing process with the bank regulators to make sure that they are aware that CDFIs are CDFIs. There is, I think, enhanced information sharing that Director Gambrell has put in place with the bank regulators to ensure that there is a timely and appropriate sharing of information consistent with supervisory responsibilities and confidentiality that helps that information process.

Mr. CLEAVER. Good. Okay, thank you. But what I am wondering is whether or not Treasury or Ms. Gambrell's operation not only passes the money through, but if the regulators are going to act as they would if—I almost said General Motors, but that a healthy corporation is borrowing the money.

I am not suggesting that, as some folks always suggest, that we are telling people to tell the regulators to turn their heads or have a blind spot for these. But these are risky loans; we know that from the very beginning. And I am interested in how that plays out with the borrowers.

Mr. BARR. There is obviously a separation between the independent regulator role and the role of Treasury and the CDFI funds—

Mr. CLEAVER. I understand.

Mr. BARR. —so we have been trying to make them aware of the basic sets of situations. They have to make independent judgments with respect to institutions or loans.

Mr. CLEAVER. But they tell us they are afraid even right now. When we bring in the banks, they say they are going to make the loans, but the regulators are telling them that they have to watch this and watch that, and so loans are not getting out.

So if we are doing that with healthy companies, my fear is that we don't get the optimum out of this if we are doing it like we do any other loan.

Mr. BARR. I share your concern. I think that there is a natural tendency that you are seeing playing out in the regulatory community. With respect to the economic cycle, it is more severe than it usually is, but I hear that concern.

Mr. CLEAVER. What can we do about it?

Mr. BARR. I do think that calling attention to the problem with the regulators is appropriate. The regulators have gotten together to issue guidance on commercial real estate and small businesses. My understanding is they are training their field staff in that new guidance, which is designed to promote consistency in the treatment of those loans.

Mr. CLEAVER. Okay. Let's shift gears. Bank Enterprise Award allocations—it has been zeroed out. This hurts, as I relate it to my district, in the community banks, banks that are operating in poor neighborhoods or in minority neighborhoods. We have a bank in Kansas City, Central Bank on Independence Avenue, and they said, this is something that is desperately needed. It has been zeroed out. Can you explain why?

Mr. BARR. Certainly. As we were setting the CDFI Fund funding level, we had to make hard choices for this fiscal year. We wanted to explore ways of making sure that the Bank Enterprise Awards Program works effectively. I think for institutions that have used BEA in the past, it has some cumbersomeness to it that we would like to work our way through.

Many of the community banks that are serving low-income communities can and do apply for CDFI core fund awards, which we have proposed to significantly increase under the $250 million request.

Mr. CLEAVER. Thank you. My time has run out.

The CHAIRMAN. The gentleman from Indiana?

Mr. CARSON. Thank you, Mr. Chairman.

Recent research conducted by Federal Reserve staff regarding the work of a CDFI in my district indicates their programs for mortgage and credit counseling, homeownership training, loan programs, and post-purchase counseling are able to create borrowers who perform significantly than borrowers who do not complete the CDFI's programs. By "better," I mean that after about 12 months their clients have delinquency rates approximately 10 percent lower than customers who have not gone through the program.

The CDFI in my district does this while serving the targeted populations noted by the CDFI Fund in its financial assistance Notice of Funding Availability or NOFA. It is an ideal CDFI-type program. It is charitable, with private-sector funds, where they are combined with the significant positive leverage of bank capital to develop loan pools that finance long-term, stable, fixed-rate mortgages for underserved borrowers in neighborhoods. Yet, CDFIs in

Indiana have only received approximately $5 million in direct financial assistance since 1996.

My question is, what can applicants do to highlight the impact of their programs and make them more visible and recognized by the CDFI Fund during the evaluation process for financial assistance?

Ms. GAMBRELL. Thank you, Congressman, for the question. It is a great question.

What we find oftentimes, and what we continue to tell those applicants who come to us seeking funding and, quite honestly, where we still see some areas where organizations could do an even better job is really to talk about the impact that they believe that they will have upon communities. There are some that are very shy about really promoting the work that they do and talking in very specific terms about the impact that their comprehensive business plan might have.

And so one of the things that I would encourage and one of the things we continue to encourage those organizations that come to us seeking funding is to make sure that they are being very specific and very explicit about the community impact, because that carries a tremendous amount of weight in the application process and for consideration itself.

Mr. CARSON. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman from North Carolina?

Mr. MILLER OF NORTH CAROLINA. Thank you, Mr. Chairman.

My question is not specifically about CDFIs, but about low-income communities generally, and specifically, the foreclosure problem and the problem of underwater borrowers. And, certainly, there has been a great disappointment in the failure of the industry of mortgage holders to modify mortgages in a way that makes it possible for those in the mortgages, for homeowners, to have underwater borrowers, to give them some equity to protect, to make it worth protecting. And, without that, even a modified mortgage payment is just expensive rent.

Obviously, the foreclosure problem continues, and there are many who can't seem to get the mortgage holders to foreclose so they could get on with things, at least take the loss and move on.

One of the problems that we continue to hear with voluntary modifications is the problem of second liens, principally second mortgages rather than home equity lines of credit. And there seems to be an obvious conflict in the interest of the first lien holders and the second lien holders.

But apparently, two-thirds of all servicing is controlled by the four biggest banks, which also hold about half of all the second liens, between $400 billion and $450 billion in second liens, which seems to be an obvious conflict of interest, particularly if the second liens are a large unrecognized loss for those institutions, which it appears almost certain that they must be.

Is the Administration, is the Department of the Treasury pursuing any remedy for that conflict of interest? Have you examined whether there is any existing law, State or Federal, statutory, common law, regulation, anything, that could address that obvious conflict of interest? And, if not, are you considering pursuing some kind of remedy that would prohibit a servicer from also holding second mortgages?

Mr. BARR. This is obviously a thorny issue. It has bedeviled mortgage modification efforts for, really, since the beginning of the crisis. I think you are right to focus on the problem of second liens. I know Chairman Frank is also quite focused on that problem. I believe the committee is going to be having a hearing focused particularly on the issue of second liens.

I know that we would like to see more action by the banks in this area. I think that the action so far has been disappointing.

We have built into the President's modification plan a program to extinguish second liens automatically when a first lien is modified. We have been encouraging the banks to sign up. We have one of the big four signed up thus far. We are hopeful we will get the others in, but they are not in yet.

When that program—once we are able to get those big institutions in, then when a first lien is modified, the second lien would automatically be brought into the modification program and either extinguish or modify down along with the first lien.

We are seeing some principal reduction in the modification program, but not as much as we would like. This will help that. Borrowers who come into the program, we are finding that more than two-thirds of them are continuing to pay, which is much better than prior modification programs. That is encouraging. But we need to do more.

Mr. MILLER OF NORTH CAROLINA. Well, certainly, there has been a lot of concern that it will not be long before there will be more and more homeowners walking away. Yes, a surprisingly large number of homeowners are still paying, and I worry about, kind of, the loosening of the bonds of what is considered ethical conduct, of just deciding you are going to walk away. But, at some point, don't you think that there will be a significant problem with borrowers, with homeowners simply not paying, walking away, renouncing their debt, particularly in nonrecourse States?

Mr. BARR. Well, our judgment, Representative Miller, is that this is a critical issue, but we need to be careful or protective of taxpayer concerns. We need to be sure that we are helping responsible borrowers who want to stay in their homes. But if there is a borrower who wants to walk away from their home, I am not sure that is the moment that we want to step in. We want to focus on the responsible borrower who wants to stay in their home, who has suffered some problem.

Mr. MILLER OF NORTH CAROLINA. Yes. The only point I was making is I feel a sense of urgency—and not saying, well, two-thirds are still paying—I feel a sense of urgency that will not remain the case. And we need to get ahead of the problem. Well, we are not going to get ahead of the problem, at this point, but begin to catch up with the problem.

Fundamentally, do you see that as a conflict of interest, to be a servicer for first mortgages while holding a second mortgage?

Mr. BARR. I do think that, in our financial services sector, there are a number of conflicts of interest that are built into the structure of securitization trust and the mortgage financing system. It is one of the reasons why we so strongly wanted to pass financial reform, why we are pushing really hard to get it done this year, because I think we need to set uniform national standards that will improve that, going forward.

We have a problem that is outstanding; we have to figure out a creative solution to get there. And that is why we have been looking in the modification effort to do it.

Mr. MILLER OF NORTH CAROLINA. Yes, I know that there are a lot of conflicts of interest. Is that one? Do you think that is one, to service the first liens while holding a second lien?

Mr. BARR. I think that, in some circumstances, there is a misalignment of incentives between the first and the second lien. That is one of the examples of that. We have been trying to correct for that with our second lien modification program. I agree with you, it needs more work. I am encouraged that the committee is interested in looking at it together with us.

Mr. MILLER OF NORTH CAROLINA. I can't tell what the lights mean now.

The CHAIRMAN. The red means—

Mr. MILLER OF NORTH CAROLINA. Well, yes, but I can't—okay. They have been changed. I see that I have no time to yield back.

The CHAIRMAN. Your time has expired. I am sorry.

The gentleman from Alabama asked unanimous consent for a couple more questions. Without objection, the gentleman from Alabama.

Mr. BACHUS. Thank you, Mr. Chairman.

Mr. Barr, Mr. Green was asking you about the performance of the loans earlier. And it called to question—I know the testimony of one of the witnesses on the second panel is that CDFI banks are significantly underperforming peer banks. He says CDFI banks reported a median net loan charge-off rate of 1.11 and a median noncurrent loan ratio of 3.82. By contrast, a peer group for traditional banks—and those are banks with less than $2 billion in total assets—reported a net loan charge-off rate of .42 and a noncurrent loan rate of 1.71. That would be about a—that would mean that the peer group was actually having charge-off of about one-third of what the CDFI banks were.

Now, I don't know what that—whether we are talking about low-income communities. Are you familiar with the testimony?

Mr. BARR. I have not read the particular statistic that you just cited to me. But I think there is a question of making sure we have apples-to-apples. So, in my response to Mr. Green, I was focused on trying to think about a traditional bank making a loan in the same circumstances as a CDFI bank and suggesting the reasons why a CDFI bank may be more successful in doing that.

I don't want to suggest that this is easy to do or that low-income communities aren't hurting. They are. And businesses in them are hurting more than generally in the country.

Mr. BACHUS. Were you saying they are more successful or that they may be or if they are?

Mr. BARR. I was saying if they are serving a similar borrower in the circumstances, these are the reasons why they might be so. But I certainly have not looked at and examined the statistics that you just described.

Mr. BACHUS. Okay, so we really don't have those numbers, or do we know?

Mr. BARR. I don't have the numbers that you just described.

Mr. BACHUS. Yes, and I would just say this as a follow-up: Maybe if there are some numbers available or if the second panel, you get the testimony of the witness who says that, if you would kind of take a look at it and maybe just respond in writing, or Ms. Gambrell.

Mr. BARR. We would be happy to come back to you on that. And, in addition, there have been some studies of the CDFI field and where they are successful and where they are not, and we would be happy to provide that.

Mr. BACHUS. Right. That would be helpful. I appreciate that.

The CHAIRMAN. This panel is excused, and the next panel will come forward.

We will begin with the Enterprise Corporation of the Delta.

STATEMENT OF WILLIAM BYNUM, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ENTERPRISE CORPORATION OF THE DELTA

Mr. BYNUM. Thank you, Mr. Chairman, Ranking Member Bachus, and members of the committee. Good afternoon. Thank you so much for convening this important hearing. And thank you for inviting me to testify.

As you said, my name is Bill Bynum, and I am the CEO of the Enterprise Corporation of the Delta and its affiliate, Hope Community Credit Union, a CDFI. Since we were established in 1994, we have generated over $1.4 billion in financing and assisted over 71,000 individuals in Arkansas, Louisiana, Tennessee, and Mississippi. We work in a region that encompasses the Mississippi Delta, the Gulf Coast regions that have been devastated by Hurricanes Katrina and Rita, and what is arguably perhaps the most historically distressed region in our country.

While my comments today will be from my experience as the CEO of ECD/HOPE, I also serve as the chairman of the Community Development Advisory Board, which is charged with providing counsel to Director Gambrell regarding policies of the CDFI Fund.

The advisory board, in October 2008, in the midst of this financial crisis, stepped up to initiate a response to the detrimental impact that this crisis was having on the industry and the communities it served. We gathered extensive input from the field, from trade associations, foundations, funders, and presented a series of recommendations to Director Gambrell that focused on increasing CDFI capacity through legislative and statutory actions, on improving the efficiency of the Fund's certification, award, and reporting process, and on ensuring that CDFI programs are being utilized in areas of highest economic distress.

I am pleased that several of the recommendations have been implemented, providing a financial lifeline to thousands of people struggling in distressed communities across the country. It is also significant that we still have work to do in some of those recommendations.

Director Gambrell and her staff ought to be commended for expediting funding so effectively over the past year, enabling financial assistance in communities faster than ever before. However, in the fourth quarter, 56 percent of CDFIs reported increased demand for financing due to the deterioration of secondary markets, tightening of credit, and smaller State budgets. And CDFIs across the country report capital constraints that limit them from responding to the increased demand that we are seeing.

Despite more Federal funding for CDFIs relative to prior years, more than 200 high-scoring CDFI applications to the fund, totalling $328 million, could not be funded in the last fiscal year. Unfortunately, the impact of the shortfall is often greatest in areas that suffer historically from high levels of poverty and a lack of access to capital, such as the region in which I work.

The mid-South region of Arkansas, Louisiana, and Mississippi has the highest poverty rates in the Nation. Mississippi and Arkansas have the lowest and third-lowest median family incomes in the country. We have a high percentage of unbanked residents compared to other States. High-cost mortgages are dominant in our region. Thirty-seven percent of Mississippi's population is African American, the highest percentage in the Nation. And despite the higher concentration of minority residents, we have the lowest rates of minority business ownership. That is the primary reason the CDFIs are so critical.

We made several recommendations that we hope that the Fund and this committee will consider. The first is to give higher priority of CDFI funding in areas of high economic distress. The advisory board recommended that the Fund take steps to ensure the programs are being utilized in areas of highest economic distress. And we recommend that Congress consider emphasizing this, perhaps in a way similar to what was done after Hurricane Katrina, by focusing specific resources on those areas that have highest job loss, highest percentages of African Americans, and highest economic distress.

We also recommended that TARP funds be carved out for CDFIs. We appreciate the allocation of TARP funds to depository CDFIs. As Secretary Barr mentioned, loan funds were not included in this. We have made several recommendations to Treasury that we think provide funds to loan funds in a responsible manner. And we encourage the Treasury Department and Congress to work with the field to implement these recommendations.

Lastly, I would like to encourage that CDFIs get greater access to Federal resources across-the-board. CDFIs are unique in providing services to distressed communities, and it stands to reason that we should have access to Federal resources on a par with traditional financial institutions, such as SBA programs, USDA programs, HUD, and others. And because the CDFI advisory board includes representatives of all of these agencies, we would be ready to play a role in facilitating this collaboration.

Thank you.

[The prepared statement of Mr. Bynum can be found on page 63 of the appendix.]

Mr. WATT. [presiding] Thank you for your testimony.

Mr. Moncrief, you are recognized for 5 minutes.

STATEMENT OF L. RAY MONCRIEF, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, KENTUCKY HIGHLANDS INVESTMENT CORPORATION

Mr. MONCRIEF. Thank you, Mr. Chairman, and Ranking Member Bachus. Thank you for the privilege and the opportunity to testify on the CDFIs and the work that we are doing at Kentucky Highlands Investment Corporation in Kentucky.

I, too, am a member of the CDFI Advisory Board, and I perform as the chief operating officer of Kentucky Highlands. I have been a practitioner in the area of community economic development for 32 years. And I do the work that I do in Appalachia, which is a severely rural, distressed area of our Nation.

I want to communicate that CDFIs do fill a vital niche in our financial services for areas that are highly distressed and are low-income.

Kentucky Highlands has been around since 1968 and provides a whole series of equity products and debt products to businesses that are looking to start, looking to expand, and looking to stabilize. Just for an example, Kentucky Highlands has invested more than $165 million in more than 500 businesses since its inception and deals with unemployment rates somewhere in the 15 percent range.

The Kentucky Highlands service area, indeed, is rural and is frequently overlooked by traditional capital sources. We know that there are specific unique needs in our service area that we target with the CDFI Fund, and we have been able to greatly improve the quality of life of many people.

An example: A company named Patriot Industries in a very severe low-income area 12 years ago began with 15 employees. We invested equity and provided various forms of debt and operational assistance to that company. Today, they closed their fiscal year 12/31/09 with 545 employees and was very profitable and have plugged $33 million of payroll into that community over the last several years.

One of the questions that Congressman Scott asked of the earlier panel was what would happen if we weren't there? An example is that in London, Kentucky, there was a small business that did metal stampings and did powder coating and those sorts of things. When the financial crisis hit, the regional banks were looking at those companies that were on the bubble, and they asked this particular company to find its financing elsewhere. They came to us, and we syndicated a $2.5 million revolving line of credit for this company, a company that does about $40 million in revenue and have preserved 220 jobs.

We, in our practice, have found that saving jobs in low-income communities is far more robust than trying to create jobs in low-income communities. The demand for our services has spiked as a result of this financial crisis that we are in.

One of the things that I would like to suggest to the committee is that the American Recovery and Reinvestment Act superseded or laid to the side the need to have matching funds when a CDFI was seeking a financial assistance grant. I would urge the continuous, at least through this existing fiscal year or the coming fiscal year, of the waiver of that match. Finding matching funds for an FA grant from the CDFI Fund is almost nonexistent.

One of the things that I want to leave with the committee is that the CDFI community is a very robust network of highly committed, on-the-ground financial executives and professionals who know how to invest in low-income communities because we live in the low-income communities.

One of the things that we do is provide a high degree of technical assistance to these businesses. And, as such, we have found that our underwriting, coupled with the technical assistance and living with these businesses, has resulted in high performance on the part of these loans.

I want to thank the committee for the privilege to testify today, and thank you very much.

[The prepared statement of Mr. Moncrief can be found on page 108 of the appendix.]

Mr. WATT. Thank you so much for your testimony.

Ms. Barrera, you are recognized for 5 minutes.

STATEMENT OF JANIE BARRERA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ACCION TEXAS-LOUISIANA

Ms. BARRERA. Thank you very much for the opportunity to speak today.

ACCION Texas is the Nation's largest nonprofit micro lender. We began our history in 1994, and we have a record of sustained growth in size and footprint. Our mission as a nonprofit organization is to provide credit to small businesses that do not have access to credit from traditional sources.

Over our history, we have been significant beneficiaries of the CDFI Fund. Since 1996, the Fund has awarded ACCION Texas $6.8 million in a combination of grants and loans for loan capital, all of which were deployed, on the average, within 24 months of receipt. These funds have been essential in our expansion beyond our initial office is San Antonio to 14 offices across the States of Texas and Louisiana.

Eighty-two percent of our small-business owners are minorities, and 49 percent are women. We have disbursed over 10,000 loans, totaling $94 million, to over 7,000 small businesses in our market. The average loan size is $14,000, and the average credit score of one of our customers is 575. We have a historical loss rate of 6 percent. Funds disbursed directly resulted in the creation of 2,200 jobs and the retention of 4,000 more.

The importance of the CDFI Fund in maintaining this level of performance becomes even clearer in challenging economic times, when funding from other sources is often reduced or curtailed. The recent economic downturn has had a substantial impact on our activities, both positive and negative. Over the last 40 months, we have disbursed an average of $1 million every month. New loans originated increased in 2009 to a record $16 million with overall portfolio growth of 20 percent, to $26 million.

We have used our portfolio repayment experience, along with appropriate credit underwriting standards, to develop a proprietary underwriting platform to evaluate loan requests. We use this platform to support the CDFI industry. We underwrite and perform the backroom services for 13 other CDFIs throughout the country.

Despite the consistent 20 percent annual growth in our portfolio, the ever-increasing demand for our services and the associated costs continue to provide challenges from a liquidity perspective. We continue to maintain a heavy reliance on fund raising to support our growth. A current example is our pending $2 million CDFI Fund request to provide loan capital for continued expansion in Louisiana. We opened up our first Louisiana office in New Orleans in April of 2009.

At the State level, I would like to give an example of a State program that is no longer active because the fund sits empty. It is called the Texas Capital Access Program, TCAP. TCAP was established during the 1997 legislative session. The State fund helps banks and CDFIs establish loan loss reserve funds for increased-risk loans. The program is available to businesses of up to 500 employees. The TCAP fund helped us disburse 830 loans, totaling over $5 million, costing the State $93 per job. In 2010, when there were more people needing access to capital, ACCION Texas-Louisiana and other CDFIs are positioned to provide funding to those waiting for loans if the dollars are available to lend. Again, this fund is inactive because its fund sits empty.

It is our hope that recent Federal efforts to increase the flow of funds to small businesses, such as loan guarantees or other stimuli, are extended to CDFI intermediaries like ACCION Texas-Louisiana. While recent efforts to encourage community banks to provide more loan capital to small businesses are certainly welcome, the importance of CDFI intermediaries as an alternative growing funding source warrant the inclusion in these programs. As noted earlier, we get the money out on the street.

Additionally, given the urgency of demand and the desire to more quickly stimulate an economic recovery based in part on small business growth, I suggest revisiting the CDFI Fund application and evaluation process to identify opportunities to streamline and quicken the process, especially for prior beneficiaries with a proven successful track record with CDFIs.

Our requested action steps to improve the CDFI funding process are to: extend a higher level of funds for the program; adjust the funding schedule to allow for more frequent distribution than annually; modify fund restrictions and caps to better accommodate proven fund performers; and establish a loan guarantee fund for CDFI intermediaries using State programs like the ACCION Texas Capital Access Program.

It is my hope that this commentary will prove to be beneficial as you evaluate the current state and the potential revisions of the CDFI Fund. We are very grateful to have had the opportunity to speak today. Thank you.

[The prepared statement of Ms. Barrera can be found on page 49 of the appendix.]

The CHAIRMAN. And I now ask, if there is no objection, to insert into the record the National Community Investment Fund study, the CDFI Banking Sector 2008 Annual Financial and Social Performance. Without objection, we will make that a part of the record.

Now, we will now hear from Ms. Dorothy Bridges, president and chief executive officer of City First Bank of DC.

STATEMENT OF DOROTHY BRIDGES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CITY FIRST BANK OF DC

Ms. BRIDGES. Good afternoon, Chairman Frank, Ranking Member Bachus, and members of the committee. Thank you very much for inviting me to discuss the important work of CDFI in the context of this current economic crisis.

As the chairman mentioned, I am Dorothy Bridges, CEO and president of City First Bank of DC. We are a regulated commercial bank and a community development bank. We are also a certified CDFI that serves the Washington, DC, metro area with a focus on low-income communities.

In 2009, there were 62 certified CDFI banks with over $17 billion in aggregate total assets and a median size of $163 million. We account for less than 10 percent of the total number of CDFIs but represent more than 50 percent of the total assets of that sector. We target at least 60 percent of our business activity to low- and moderate-income, LMI, communities. As depositories, we use our equity capital to raise 8 times the amount in deposits to support the direct lending that we do.

Our lending has had a ripple effect far beyond our direct customers because it sparks further revitalization. As an example, Columbia Heights is a DC neighborhood that was abandoned by commercial and retail businesses for 40 years. In 2005, City First Bank invested $14.5 million in New Markets Tax Credit allocation to restore the Tivoli Theatre, which was an anchor for a mixed-use project that included a grocery store, housing, commercial, and retail space. The project created jobs for local residents, restored the property to the tax base, and sparked a new round of commercial and residential investment in that neighborhood.

We believe our communities deserve the same economic opportunities as the mainstream communities and that credit is essential for recovery. Due to the past disinvestment, our communities are more challenging and more expensive to serve than others. Products are often customized, loan sizes are smaller, and higher loan loss reserves are often needed. Harsh economic times like this only makes this worse.

While predators have fled the neighborhoods, we remain ready to serve the neighborhoods. Loan demand is strong, but the extended recession has left some CDFI banks unable to fully respond to demand due to the portfolio and regulatory challenges.

Liquidity is also a challenge for us, as regulators classify reciprocal CDAR deposits as brokered despite strong evidence that they are a stable source of CDFI funding.

Finally, encouragement by regulators to maintain higher capital ratios raises the bar for us. For our communities, this results in a tightening of credit and a suppression of economic activities.

City First Bank has had a profitable year in 2009, but we are still adversely impacted, as the downturn has devastated our neighborhoods and threatens the gains we have worked for over the past decade. The CDFI Fund is an invaluable partner to us. Without it, our bank would probably not exist.

Beginning with an initial CDFI investment in 2000, we have participated in the Bank Enterprise Award, CDFI Financial Assistance, and New Markets Tax Credit programs. We have grown from a zero base to $156 million in total assets and have averaged over the last 2 years $30 million in lending, mostly to small businesses.

My recommendations to the committee to help support the important work of CDFI banks are: one, support the Community Development Financial Institution Coalition request for $300 million in Fiscal Year 2011, including the restoration of funding for the Bank Enterprise Award program; two, provide oversight to ensure that the community development capital initiative program maximizes the participation by insured CDFIs and provides capital in an expeditious manner; three, help to support our efforts to count CDARS reciprocal deposits as core deposits; and four, recognize that the CDFI Fund's programs are sound, well-designed, effectively implemented, and highly impactful in needed communities as you consider reauthorization.

Thank you very much for letting me share CF Bank's story. We look forward to working with the committee to ensure lower-income communities are not left behind in this recovery.

[The prepared statement of Ms. Bridges can be found on page 52 of the appendix.]

The CHAIRMAN. Thank you.

And next, we will hear from Ms. Tanya Fiddler, who is the vice president for programs and operations for the First Nations Oweesta Corporation, Cheyenne River Reservation.

STATEMENT OF TANYA FIDDLER, VICE PRESIDENT OF PROGRAMS AND OPERATIONS, FIRST NATIONS OWEESTA CORPORATION, CHEYENNE RIVER RESERVATION

Ms. FIDDLER. Thank you, Chairman.

"Mitakuyapi, Tuktel He Najin Oyate Wiyankapi Win Lakota emaciyapi na Tanya Fiddler English emaciyapi, k'sto."

To all of you, my Lakota name is, "She Stands Where the People Watch Her Woman," and my English name is Tanya Fiddler. I am an enrolled member of the Cheyenne River Sioux Tribe. And I have run a nationally recognized Native CDFI in Eagle Butte, South Dakota, for the past 10 years. As the chairman said, I have recently taken a position as vice president of programs and operations at First Nations Oweesta Corporation in January, and I am the co-chair of the newly formed Native CDFI Network.

Let me begin by saying "Pilamaya ye," thank you for the opportunity to appear before you on behalf of Oweesta and our Native communities throughout the United States, including Alaska Native and Native Hawaiian communities, some of the most impoverished communities in our country.

I have come here today to be a witness to the unique role that CDFIs play in Native communities and have included their innovations and successes in my written testimony, so I hope that you are able to see those. I have also included recommendations to continue the momentum of the Native CDFI industry in alleviating poverty and our double-digit unemployment rates, recommendations like giving the Native initiatives a permanent place in the Fund's authorizing statute.

Oweesta is a certified national Native CDFI intermediary that provides training, technical assistance, and investments to help Native communities across the country establish sustainable, vibrant, and healthy economies. Self-sufficiency, wise resource management, and entrepreneurship are all traditional Native values. And over the last decade, Oweesta has been leading the movement to renew these values in modern Native communities.

The movement we are part of is greatly enhanced by the support Native communities have been receiving and will continue to receive from the CDFI Fund's Native Initiatives Program, and I have a little history on it. In 1999, the CDFI conducted the Native American lending study that examined access to capital and financial services in Native communities and identified 17 barriers to Native economic development. The CDFI Fund responded by launching the Native Initiatives program in 2002—this, in and of itself, an innovation and success that has spurred our work at Oweesta to develop national CDFIs and provide critical funding for training and lending to Native CDFIs on the local level.

To date, the CDFI Fund has made 220 awards totaling $46 million to Native CDFIs, including Oweesta, serving over 100 impoverished Native communities. At the time the Native initiative was launched, there were nine certified Native CDFIs. Today, I have just added two, there are 57 Native CDFIs. So the growth in the industry has been incredible.

Why is the CDFI Fund's role so important? It is because Native CDFIs are the leading source of capital for small business, homeownership, and asset building in reservation communities that historically have not been served by mainstream financial institutions, making them great targets for predatory lenders that have been happy to fill that void.

One of the areas where Oweesta has done extensive work is the Cheyenne River Indian Reservation. The reservation encompasses Dewey and Ziebach counties, two of the poorest counties in America. In 2000, 80 percent of the Cheyenne River population was Native American, but less than 1 percent of the businesses were Native-owned. This disparity provided immense opportunity for the start-up of Four Bands Community Fund, a Native CDFI that provides entrepreneurship and asset-building services to the reservation.

I am here to say that communities on my reservation, like many other Native communities with the Native CDFI, are experiencing real changes. We are replacing poverty with entrepreneurship and financial literacy skills. Having recently been the executive director of Four Bands, I would like to share a story to demonstrate the effect of the CDFI's programs and what they are doing to help play a role in getting people on the Cheyenne River Reservation out of poverty.

Four Bands began lending in 2002, and one of our first $1,000 micro loans went to an unemployed tribal member who completed our business training class and wanted to start a plumbing and heating business. He needed to put tires on his truck so he could travel to jobs. We made the loan, and he was on his way.

In 2006, D&D Plumbing and Heating was able to access a $200,000 loan from an authorized lender with an SBA guarantee—

which is a rarity, to see SBA guarantees in Indian country, as well—in order to construct a building and a machine shop. He was employing five to seven tribal members and was partnering with Four Bands to provide some youth entrepreneurship internship opportunities in our community, as well.

Early in 2009, the effects of the recession started to hit Cheyenne River, and D&D came back, asking for help. We were able to take the loan on, and help them preserve their business—I see I am out of time.

The CHAIRMAN. Don't worry about the time.

Ms. FIDDLER. Well, then I will finish my story.

The CHAIRMAN. Yes, keep going.

Ms. FIDDLER. He contacted us, asking for assistance. We took the loan back, brought it in-house, helping to preserve their business credit. We provided financial and marketing assistance to his business in order to help him get through this economic downturn.

To date, Four Bands has trained nearly 2,000 people in personal finance and entrepreneurship skills. Many of them are youth. We have distributed $1.5 million to micro, small business, and credit building loans; committed $230,000 in match savings for individual development accounts for asset building; have supported over 70 new businesses, new and existing businesses, creating 150 jobs; and have rehabilitated 30 store fronts. We have a water shortage, and we are not able to have new construction. We have also worked with the Cheyenne River Sioux Tribal Government to make policy improvements that support private business and personal financial skills among our members.

I conclude by saying that the Native communities have come a long way. Ninety-five percent of our services serve exactly the low-income community.

On behalf of our communities, I say, "Wopila Tanka," with great thanks, to the Fund for all it has accomplished and to the current Administration and Congress who have supported Native economic development by securing the Native Initiatives as a line item in the 2010 and 2011 budget.

And, again, thank you.

[The prepared statement of Ms. Fiddler can be found on page 73 of the appendix.]

The CHAIRMAN. And, finally, Judy Kennedy, who is the president and chief executive officer of the National Association of Affordable Housing Lenders.

Ms. Kennedy?

STATEMENT OF JUDITH A. KENNEDY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS (NAAHL)

Ms. KENNEDY. It is great to be here talking about such successful investment.

The Nation's leading mission-driven nonprofit lenders for affordable housing—two of my favorites happen to be in Massachusetts and Alabama—are here today to talk about how much more we could do to help sustain our Nation's economic recovery with more construction private-sector jobs if we only had more capital and liquidity.

NAAHL's mission is to increase the flow of private capital lending and investing in low- and moderate-income persons and areas. We represent 100 organizations in moving private capital to those in need. This "who's who" of private-sector lenders and investors includes major banks, blue-chip nonprofit lenders, CDFIs, and others in the vanguard of affordable housing. Seventy percent of NAAHL's nonprofit lender members are CDFIs, and the rest are high-performing mission-driven organizations.

Main Street loan demand has dramatically increased for financing affordable multi-family rental housing over the past 2 years and for the small businesses, the Ma and Pa landlords that drive the economies of our local communities. But successful mission-driven nonprofit lenders are struggling more than ever with the need to find capital and liquidity to meet the demand both in urban and rural markets to close the existing gap.

The bottom line is that experienced mission-driven nonprofit lenders seem to be the victims of their own success. They have few troubled assets. Most have never had a loss on a loan. If they have, they count their losses in basis points. So the crisis has obscured their unique contributions and their unique ability to help turn this economy around.

Our nonprofit lenders finance affordable housing that families, seniors, and the disabled are proud to call home. And they also preserve expiring portfolios of Section 8 project-based contracts in places as diverse as Massachusetts, New York, Alabama, California, Illinois, Oregon, and the Carolinas.

Recognizing these nonprofits' important mission and stellar track records, throughout the crisis, their bank investors have honored their traditional commitments to these loan funds. This private capital has enabled the lenders to continue to finance preservation and construction for Main Street and businesses in their States. But because the demand has so outstripped the supply, we have the following specific recommendations to increase lending on Main Street and financing for affordable multi-family rental housing—two things you could do today and two things that could take a little longer.

Number one, expand the Treasury's 2 percent capital initiative to nonbank CDFIs. The Federal Housing Finance Agency has just completed an extensive rulemaking process that hopes to equate nonbank CDFIs with current standards for CDFIs, and I think that is a great place to start. The Emergency Economic and Stabilization Act was enacted to restore the flow of credit to small businesses with a primary purpose to promote jobs and economic growth. We think now is the time to utilize that authority.

Number two, something else you could do today is to increase access to the capital markets for Main Street borrowers through the GSEs or other government programs. Fannie Mae and Freddie Mac continue to be AWOL in financing the landlords of small multi-family properties on Main Street. Our nonprofit lenders—again, the ones who have no losses or losses of under 1 percent—currently hold more than $1.5 billion in seasoned, performing, low-balance multi-family mortgages. Replenishing these loan funds would spur thousands of private-sector jobs just in 2010.

Two things that could take a little longer: Update the Treasury Department's CDFI Fund regulations for a variety of purposes. For example, in the Carolinas, the Community Investment Corporation of the Carolinas doesn't qualify for CDFI funding because their parent organization, the State Bankers Association, can't document that 60 percent of their mission is for low- and moderate-income people. But 100 percent of CICCAR's mission is for low- and moderate-income people, so we think you need to update the definition.

You also need to update the 2003 regulation changes that caused almost all of NAAHL's CDFI members to no longer be eligible for funding. They are outdated. They reflect a Federal priority in 2003 that should not be governing 2010 and 2011 decisions, so we urge that you do that soon.

Finally, a national insurance program offering protection against the top loss on multi-family, affordable rental properties could go a long way in terms of expanding the pool of potential investors and replenishing the supply of funds to lend.

In the State of New York, something called SONYMA, the State of New York Mortgage Agency, insures the top 20 percent loss on all qualifying multi-family mortgages. This has induced Freddie Mac, pension funds, and the Archbishop of Brooklyn to invest in these loans, which they say for 2008 were some of the best investments they had at 6 to 7 percent.

What impact could each of NAAHL's 25 nonprofit lenders make if they had the means to finance just a hundred more affordable apartments in 2010? Based on what the Home Builders tell us about estimated 1-year impacts, if each of these 25 across the country just did a hundred units more, it would generate—it is amazing—$198 million in local income. It would generate 3,050 jobs. It would generate $21 million more in revenue for the local governments.

We think now is the time to expand the program to allow at least each of these 25 to create the jobs in the construction activity we know is critical to recovery. The main financial rescues of the past 18 months have eclipsed the strong performance of these lenders. We appreciate your strong interest in increasing loan availability and jobs on Main Street and look forward to supporting your efforts.

[The prepared statement of Ms. Kennedy can be found on page 98 of the appendix.]

The CHAIRMAN. Ms. Kennedy, I will begin with you. And I did, as you heard, ask the Administration to look at those, and your specifics were among those I had in mind.

With the exception of an insurance fund, it would seem to me you were talking about things that all could be done without legislation. Is that accurate?

Ms. KENNEDY. Yes. I am not sure about all of our CDFI Fund recommendations, but I believe most of them stem from—

The CHAIRMAN. All right. If you would you boil that down and send a copy to us, and we will forward it, according to which could be done by regulation and which not.

The last, an insurance fund, clearly would be legislative. And I would say to you at this point, we will put that one aside for now because we will be having hearings on the 23rd and we will begin a process that Members on both sides have been calling for to reorganize housing finance in America. And what you were talking about there clearly belongs in housing finance.

And let me ask, when you talked about that insurance, is that for subsidized—well, obviously, it is a form of subsidized—is there an affordability limit there, is there a rent limit or an income limit on the projects that are eligible for that?

Ms. KENNEDY. Because it is New York, almost all the projects are subsidized. And there is an affordability—

The CHAIRMAN. Well, in your proposal for the national fund, would there be a limit on the rents charged and the income of the eligible participants?

Ms. KENNEDY. Yes. The standard that we have used is the typical Section 8 standards. So, for example, in Chicago they can do preservation of affordable housing without subsidy, but they rent to—

The CHAIRMAN. I didn't ask you about Chicago. I asked you what your proposal is.

Ms. KENNEDY. Yes, our proposal would be Section 8 eligible tenants—

The CHAIRMAN. That if people were building—

Ms. KENNEDY. Under 80 percent of varying median income—

The CHAIRMAN. So if they were building for people who were 80 percent of median or below, they would be eligible for that insurance fund. It is just something I would say we would ask you to—you will resubmit that to us when we have a broader hearing.

And on the others, there are obviously varying degrees of difficulty, but they did sound—you send us the list; we will look at it. You can also send it to Treasury, and we will at least get some responses.

The gentleman from Alabama?

Mr. BACHUS. Thank you.

Ms. Barrera, you know, the hill country of Texas used to have a high rate of poverty. Does it still? Does it still stand out demographically, or what is the situation?

I am talking about 30 years ago. I was stationed at Fort Sam.

Ms. BARRERA. It is still, but that is probably a faster growing community now. And I would say it is the people in south Texas who are hurting the worst. They are the ones that are at high poverty ratios. Again, there are still the unincorporated areas, no zoning and so on. So that is really our—the border of Texas is really the highest.

Mr. BACHUS. I guess with the agriculture, it is not as important, so it obviously wasn't a great place to raise crops.

Ms. BARRERA. That is right.

Mr. BACHUS. Mr. Moncrief, I have part of Appalachia in my district. The poverty level there—and I know, Mr. Bynum, I know the Mississippi Delta is just a tremendously poor region, I guess Mississippi, Louisiana, and Arkansas. Appalachia is not to that extent, I guess, is it? But what is the situation there?

Mr. MONCRIEF. Congressman, when you look at the Appalachian Mountains of eastern Kentucky, there are some of the counties that approach 30 percent poverty.

So, the landscape is very, very drab. Just the geography doesn't lend itself to acres of flat ground, if you will, to build businesses. We, in eastern Kentucky, use the word "entrepreneurship" as the salvation of people working in eastern Kentucky. When you look at the population of eastern Kentucky and Appalachia, and certainly Appalachia, Alabama, compare that to the Delta of Mississippi, Louisiana, Arkansas; we are looking at the same situation. We all face the same sorts of poverty levels and use exactly the same tools, which really is the reason why this program is so vital.

Many times, we have an almost absence of access to capital. But for organizations like ours, many people don't want to move into rural parts of Louisiana, Mississippi, Arkansas, Kentucky, or Alabama to do the service delivery of financial tools that are necessary. So we are faced with stark poverty where we are.

Mr. BACHUS. Thank you.

I know in Alabama we have—the parts of Birmingham that are the inner city that are—but there is that same hopelessness and lack of opportunity in many rural parts of our country. I know Geoff Davis, who was a member of this committee for years, was a very good advocate for that program. I think he realized what Mr. Green said, that it is no respecter of color. The Rosa Parks, the Alabama Multifamily Loan Consortium, can you tell me a little bit about that? Is it in Montgomery?

Ms. KENNEDY. I am not sure.

Mr. BACHUS. I would assume that it is.

Ms. KENNEDY. I think it is. Twelve years ago, the Housing Finance Agency of Alabama approached the Alabama Bankers Association and said, we need some entity to finance tax credit low-income housing in Alabama. So, much like the Carolinas, or New York, or Massachusetts, the State banking association worked with the State housing finance agency. So now, we have 53 banks in Alabama that, every year, invest in affordable rental housing. They pool their money. They diversify their risk. The same thing is true in California.

And in that process, they finance with long-term, fixed-rate mortgages, all of the tax credit properties, all of which are eligible to under 60 percent of area median income. Rosa Parks is for seniors and disabled, the first affordable rental of that type in the State.

Mr. BACHUS. And those facilities, in appearance and everything else, they are very desirable.

Ms. KENNEDY. You wouldn't know it had any subsidy attached to it, and sometimes that is the goal. These are units people are proud to call home and which are often near their families.

Mr. BACHUS. Is that the one, what was the CDFI in Alabama you were—

Ms. KENNEDY. Unfortunately, our Alabama consortium is not a CDFI. Truth in labeling, the complexity of qualifying for that certification, and I am just going to be honest with you, somebody said it earlier; when you are surviving as a nonprofit, you sometimes can't afford to invest in other resources. I have no doubt that Alabama will apply for certification some day. But I think we need to streamline the application process first.

Mr. BACHUS. Okay. Thank you.

Ms. WATERS. [presiding] Thank you very much.

Ms. Kennedy, according to your testimony, CDFI fund rules need to be updated, including the need to prioritize leveraging public subsidy with private capital to increase multifamily affordable rental housing projects. Can you describe in more detail the need for more leveraging and how this would help your members and low-income communities in general?

Ms. KENNEDY. Sure. In 2003, the prior Administration decided to prioritize single-family homeownership and investments in lending in certain areas. The challenge for nonprofit multifamily lenders has been that these reflect Federal priorities and not local priorities.

So, again, back to Alabama, the lender doesn't decide where those properties go. The State Housing Financial Agency allocates Low Income Housing Tax Credits according to the State's own priorities. So if we were to go back to the pre-2003 regulations, for example, that did reflect the ability to leverage and the application process, did reflect responsiveness to local needs; I think we are down to only two of our nonprofit lenders that can qualify for funding. We could expand the pool enormously.

Ms. WATERS. Thank you very much.

Mr. Mel Watt?

Mr. WATT. Thank you.

Mr. Bynum and Ms. Bridges, I think both of you touched on a point that I wanted to pick up on. Mr. Bynum first, I didn't realize that this new program that the President just announced didn't include, or I guess I never focused on it. I would have asked the first panel why non-insured depository institutions were not included in that. Can you give me a little history on that? Is there some possibility that they will include it? Or what can we do to expedite that?

Mr. BYNUM. We certainly hope that will be the case. We have worked with the Administration, with the Office of Financial Stability for several months now, and industry representatives have presented recommendations for including nondepositories in the TARP program.

Mr. WATT. And what is your perception of their reaction to that? Are they supportive, do you think or—

Mr. BYNUM. I think the easiest path, and that is relatively speaking, was to piggy-back on the previous structure that worked with depositories and relied on the insurers to help do the due diligence and the qualifying of who is viable and can handle TARP funds.

Mr. WATT. But CDFIs have been vetted pretty aggressively to get through the process. The only difference there is you are not insured, and I guess the banking institutions are insured, so that reduces the risk some, I suppose.

Mr. BYNUM. That is right. And there is a third party regulator that helps vet additionally. We feel that loan funds go through a certification that is rigorous by the CDFI Fund. The CDFI Fund will need additional resources in order to monitor the additional entities that got TARP funds, but that was our recommendation, is that the CDFI Fund play the role of the regulator and monitor those loan funds.

Mr. WATT. Okay. We will try to pick up. Give us as much information as you can about that, so maybe we can get a coalition of people who can push the Administration on that issue.

Mr. BYNUM. Mr. Watt, I would like to mention that there is a great opportunity, there are over 30 loan funds that have new markets allocations with over almost a billion dollars that cannot get debt that could be leveraged if loan funds had access to TARP funds.

Mr. WATT. Give us some information on that, too. We will try to push it. But it won't help if the ones who are eligible for this new fund or new funding don't use it.

So, Ms. Bridges, you fit in that other category. You heard me ask the first panel about whether this was going to be aggressively used by the insured depository institutions who are eligible for it. Do you think this is a robust enough program that you and other banks similarly situated, other than the uninsured ones that I just got through talking about; are you going to use it?

Ms. BRIDGES. Representative Watt, thank you very much for that question. Without a doubt, the Community Development Bankers Association that represents the 62 certified CDFIs, bank certified CDFIs, have been lobbying pretty hard for this. It is certainly very cost effective for us. We tend to have greater operating expenses than traditional banks. And it also offers us an opportunity to have that kind of cushion for a longer term than in the past. And certainly, this is something that our, my colleagues have been lobbying to have on the table for us to be able to spur our additional lending in that area.

Mr. WATT. So are there any impediments in there? What about—I saw something in the paperwork I was given that says you can't pay dividends. You can't pay dividends to your existing stockholders, or, and maybe I was misreading it. Is that an impediment?

Ms. BRIDGES. You are correct. For the CitiFirst Bank, it is not an impediment. We currently do not pay dividends. Most of our stock shareholders are public institutions or institutional investors where we currently do not—

Mr. WATT. Some of these entities do pay dividends to their stockholder companies.

Ms. BRIDGES. Yes. And there are a number of institutions that are also CDFIs that were awarded the original TARP program, and they have, in many cases, withheld dividend payments to some of their shareholders. For the most part, they have worked around that as an issue. That still is a little bit of a stumbling block for some of us.

Mr. WATT. Thank you so much for your testimony. It has been great to hear some good experiences out there in the community, even though they need to be replicated and expanded. Thank you.

Ms. WATERS. Thank you very much.

Mr. Green?

Mr. GREEN. Thank you, Madam Chairwoman.

Ms. Barrera, good to see you again. And of course, I know of your good works in Texas. You mentioned streamlining the process, and you talked about prior beneficiaries. Would you give us a further explanation in terms of how it would be beneficial to have the application process benefit prior beneficiaries who have a good track record?

Ms. BARRERA. Thank you, Representative Green.

Yes, the fact that the customer comes in is not a problem to us, and we have customers coming in and applying. Our problem is the liquidity. So if you have an organization that has a good track record, a good track record of deployment, not sitting on the money, but putting it out on the street as soon as you get it, that is what we are recommending for the CDFI Fund, to look at someone, for example, our organization who has been deploying the funds when they get them since 1996 from our first award, so that it becomes a relationship of just—that is the way we work with our customers as well, where we build that relationship that is there. And of course, there is accountability behind it as well, that the numbers don't lie in terms of our audits and so on; that if you continue to perform at this level, then we should be in a different category, if you will, than struggling, unsustainable, newer CDFIs that need more technical assistance and so on.

But, Representative Green, the first 12 years of our operation, I believe we were in the laboratory stage. Micro lending, micro finance comes from developing countries. And a lot of organizations that started micro lending back in the early 1990's are no longer in existence. We are now the largest micro lender serving these two markets and helping 13 other CDFIs across the country reach scale as well.

So, in that laboratory stage, we found out what works and what doesn't work. We now have a machine. What it needs is gas to continue to move the machine. And so if we could, then, raise great standards that we would all be working with and towards, then I think the CDFI allocations would then be benefiting more people. There is a whole theory, is it breadth or depth? Do you want to help as many people, or do you want to help fewer people but go deeper? I think there is a need for both, but in terms of technical assistance on the depth part, but on the breadth part, access to capital, as we have already described, is such a need in our country right now.

Mr. GREEN. You have forged relationships with banks, have you not? Explain how you have worked your relationships with banks, please.

Ms. BARRERA. Because of the Community Reinvestment Act, about a third of our funds do come from banks. And specifically, one example I would like to share, which was the first in the country, the first in the United States, is the relationship that we have with Citi; that Citi wanted to do micro finance in the United States and didn't know how to underwrite these loans, but went and looked at our portfolio, looked at how we do our business and invested $30 million that they, we are selling part of our portfolio every month to Citi. So it is a secondary source, right, for us which was never—unheard of because we are not—in our industry, it is hard to get ratings. We are not rated. And so by them taking—what we are doing is sharing the risk and sharing the wealth, the revenue with Citi. And we work with many, many other banks across the country where they either invest in us for a return or provide us grants through their foundations. So that is how we get our operational funds.

Mr. GREEN. And have you been moving into Louisiana, after Hurricane Katrina? Because I know that Texas is in your name, and so obviously you are in Texas. But I think you are bigger than Texas, are you not?

Ms. BARRERA. That is correct. We are ACCION Louisiana as well. And so we were asked to go in there, and were provided funds. And that, again, came from banks, and it came from foundations and municipalities. We presently have offices in New Orleans and Alexandria. We will open up an office in Shreveport within the next 2 months, and then in Baton Rouge, hopefully, by the end of the year.

Mr. GREEN. Affordable housing, is that a part of your portfolio?

Ms. BARRERA. No, sir. A hundred percent of our portfolio are small business loans.

Mr. GREEN. Okay. Well, who is dealing with the affordable housing portfolio?

Okay. Ms. Kennedy, tell me a little bit, if you would, about your affordable housing portfolio. Have you gone into areas, say, for example the Lower Ninth Ward in New Orleans? Do you have any projects in that area?

Ms. KENNEDY. We don't have a member in Louisiana. We worked very hard for a very long time to get the Louisiana Bankers Association to follow in the model of Alabama, California, Oregon, and Hawaii and start a multibank affordable housing lender. But, to my knowledge, it never happened.

Mr. GREEN. Okay. I will yield back. My time is up.

Thank you, Madam Chairwoman.

Ms. WATERS. Thank you very much.

Mr. Cleaver?

Mr. CLEAVER. Thank you, Madam Chairwoman.

Ms. Bridges, and the question is to you and Ms. Fiddler. I know where her bank is located. Can you tell me where in D.C. your bank is located?

Ms. BRIDGES. Our branch is located at 1432 U Street, right in the historic district.

Mr. CLEAVER. Have your CDFI loans performed well?

Ms. BRIDGES. For the most part, our CDFI loans are our core loans in the bank, and they have performed well. However, we have had, like many traditional banks, some problems with and we have seen some deterioration.

Mr. CLEAVER. Well, considering the economy—

Ms. BRIDGES. Yes. We are—

Mr. CLEAVER. Ms. Fiddler, would you say the same thing?

Ms. FIDDLER. I think they are holding pretty strong for the most part. Dewey and Ziebach Counties are very rural and remote, less than one person per square mile, so that the markets available for folks out there, we do mainly Main Street private sector, trying to create and stimulate economy outside of this because we don't see CRA; we are creating economy. So it is just a little bit different version than the rest of the scope. But for that high-risk market where you don't have any other options, I think they are doing very well—less than 1 percent defaults.

Mr. CLEAVER. Well, do you think it would be interesting if we compared CDFIs, their loans, with some of the other banks, depository banks that are—many of them are in trouble, have been in trouble? I don't know if there is any data available, but it would be interesting to compare the performance of loans. The reason I raise that question is, I think, despite the relatively high success in CDFIs, we find that the funding is almost—the number of applicants who seek CDFIs is twice the number that receive the loans because we don't have the—the pot is virtually empty. And I have tried unsuccessfully, with the last panel, and one of my colleagues did the same, to try to find out what do we have to do to get additional dollars? I am assuming that all of you would like to have additional dollars. I know that is a difficult question, but struggle through it and tell me yes. All right. We have $250 million in grants in 2010. But as I said, that is one-half, exactly one-half of the people who applied. So I am—some of these questions are for the Treasury, obviously. But they are gone, so I need to find out from you, and these are probably softballs to you guys. But if we had more money, would we be able to better meet the demand and still make good loans?

Ms. KENNEDY. Let me just say that those numbers you quoted, Mr. Cleaver, about half being denied don't even reflect the true need. There are hundreds of CDFIs that don't even apply since 2003 because the regulations have so changed what is funded that it is not worth Alabama getting certified; it is not worth Massachusetts applying. California did apply this year and got turned down despite their stellar track record. So, for example, our 25 nonprofit CDFIs, nonprofit mission-driven lenders, could do double their 2008 production this year if they had liquidity.

Mr. CLEAVER. Well, in the difficult areas where you work, are you seeing competitive applications going forward for new market tax credits?

Mr. BYNUM. In Mississippi, where, arguably, there should be a significant investment by the CDFI Fund, only $480,000 out of, I think, $40 million made to Mississippi.

Mr. CLEAVER. Say that one more time, please.

Mr. BYNUM. $480,000 out of a total of $170 million in financial assistance awards were in Mississippi, the poorest State. On the new markets, only $40 million of $14 billion in Mississippi. There were applications. I can't speak to the quality of the applications. The CDFI Fund would have to do that. But there is certainly a demand and there is a viable demand for increased funds in our State and in other severely distressed areas.

Mr. CLEAVER. Well, the red light is on, but I think the point has been made.

Thank you, Madam Chairwoman.

Ms. WATERS. Let me just thank the panel for being here today with the most informative testimony. And the Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record. The hearing is adjourned.

[Whereupon, at 4:26 p.m., the hearing was adjourned.]

A P P E N D I X

March 9, 2010

Statement of Congressman André Carson

"Community Development Financial Institutions (CDFIs): Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities"

March 9, 2010

Thank Mr. Chairman for holding this important hearing.

Community development financial institutions (CDFIs) work in markets that have not been adequately served by traditional financial institutions and also develop new markets in underdeveloped areas. While many of our nation's lending institutions have been destabilized during the financial crisis, CDFIs have weathered the storm. Although they serve a traditionally riskier client base, their conservative lending approach has helped them retain a relatively healthy portfolio and cause fewer losses to investors. Demand is up and their biggest concern is maintaining liquidity so they can meet demand.

CDFIs differ from mainstream financial institutions in a number of ways. They have specialized knowledge about the communities in which they conduct business. This allows them to build meaningful relationships with their customers and community leaders which translates into a willingness and commitment to individualized and specialized programs. Theses types of programs are often too time-consuming or costly for mainstream financial institutions to implement.

A number of structural and systemic barriers threaten to limit CDFIs future growth, creating a strategic challenge for the industry. Going forward, we must ensure these institutions have our support and remain a priority for the Administration.

Thank you, Mr. Chairman.

Treasury Assistant Secretary for Financial Institutions Michael S. Barr
Testimony before the House Financial Services Committee
"Community Development Financial Institutions (CDFIs): Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities"
March 9, 2010

Chairman Frank, Ranking Member Bachus, this Committee has a long and bipartisan history of support for Community Development Financial Institutions (CDFIs). I want to thank you for the opportunity to testify today about the role of CDFIs in growing small businesses, creating jobs, and assisting economic recovery in distressed communities across the United States.

As we emerge from the worst economic crisis in generations, the Administration is focused on spurring greater job growth and ensuring that the recovery is firmly established. We still face an unemployment rate that remains unacceptably high, and credit is tight for small businesses and hard hit communities. Many families are struggling, and we must do everything we can prudently do to help.

As we seek an economic recovery that reaches communities across America, CDFIs are a critically important piece of our broader commitment to an inclusive recovery. CDFIs provide capital, credit, and financial services to hard-to-reach communities and underserved populations. In both rural and urban America, CDFIs are assisting the entrepreneurs and small businesses that are vital engines of economic growth.

CDFIs are able to reach low-income populations that have often traditionally lacked access to mainstream lenders. CDFIs also help bring mainstream financial institutions to these markets, for example through participating in loans with, or co-investing with, mainstream lenders. In this way, CDFIs serve as a bridge to the financial mainstream for their borrowers. CDFIs have helped finance small businesses, build charter schools, create homeownership opportunities, and support community health and child care centers. In short, CDFIs help finance our communities and revitalize our neighborhoods.

In today's economic climate, CDFIs' support to businesses, in particular small businesses, is more critical than ever. Looking back, CDFIs reported providing financing to over 10,000 businesses and over 1,600 commercial real estate properties in 2008. CDFIs also reported that they helped create or maintain over 70,000 full-time jobs in that period.[1]

Look's Gourmet Food Company in Whiting, Maine is a good example of the potential for CDFIs to facilitate small business growth and job creation. Look's had been a struggling company with just $800,000 of annual sales and 7 employees in 2002 in a coastal town of just 2,200 people. With a loan from the CDFI Coastal Enterprises, Inc. a local

[1] This data came from information reported to the CDFI Fund through their Community Investment Impact System in 2009. The reporting CDFIs were those who received CDFI Fund awards in the 2005-2008 funding cycles and they were reporting on their 2008 performance.

entrepreneur was able to buy the company in 2003 and expand its operations. Coastal Enterprises also provided the borrower with technical assistance in branding and marketing Look's handcrafted, hand-packed specialty seafood. Today, the company has 26 employees and sells its products nationwide.

Now more than ever we need to support the continued growth and vitality of CDFIs. Even in times of robust economic growth, some communities remain underbanked and underinvested. Rural America often struggles with low bank penetration and higher cost financial services. Some communities lack historical relationships with financial institutions. Some loans are simply too small for private lenders to make. Finally, some borrowers lack the credit histories that are required for today's automated underwriting environment.

CDFIs are there to fill the gaps. They are able to reach these communities through innovative, responsible and affordable financial products and services. The CDFI Fund has successfully provided CDFIs with the necessary capital to spur innovation in the sector.

Take the example of one award recipient, the North Side Community Development Credit Union, which serves low income populations on Chicago's north east side. North Side has developed an affordable small-dollar consumer loan for its customers. As of 2010, North Side has made over 5,500 of these loans totaling over $2.8 million, and the product is self-sustaining for the Credit Union. These loans saved community residents over $5 million compared to the rates and fees of alternative products available in that community.

Additionally, the current economic environment has strained the resources of many CDFIs. CDFIs have seen a dramatic increase in requests for lending services. However, CDFIs have faced constraints in meeting that increased demand. Their primary funding sources—banks, foundations, and socially motivated investors—have all decreased funding available to community development lending. Furthermore, CDFIs have had to increase loan loss reserves to manage downturns in their markets and have also faced an increase in losses. Nonetheless the industry is eager to deploy capital to assist in the economic recovery.

We strongly believe that further support is needed for CDFIs to help distressed communities manage through the economic downturn and to continue to serve as important engines of innovation in financial services to these communities.

That is why the Obama Administration has committed to supporting the important work of CDFIs and other community development lenders. We have used a wide range of tools to support and expand the reach of CDFI lending and investing, including tax credits, direct investments, and technical assistance. And we will continue to work closely with CDFI stakeholders to promote the private sector and public sector innovations that have helped make their work possible.

We have already worked with you to increase support to CDFIs through the Recovery Act, enacted in the Administration's first month in office. The Fund awarded $98 million in financial assistance to 69 CDFIs, spread across 26 states and Puerto Rico. Within 100 days of enactment of the Recovery Act, the CDFI Fund announced these awards, and within 60 days after that, disbursed 100 percent of the Recovery Act awards. The Act also provided us with an additional $1.5 billion in New Markets Tax Credit (NMTC) authority for both FY 2008 and FY 2009.

Given the strains placed on CDFIs by the financial crisis, and the congressional directives under the Emergency Economic Stabilization Act, we are extending low cost capital to CDFI depositories and holding companies, including banks, thrifts, and credit unions, through the new Community Development Capital Initiative (CDCI). CDFI depositories and holding companies are eligible to receive capital investments at a dividend rate of 2%. The CDFIs may receive investments up to 5% of risk weighted assets (or an equivalent amount of total assets for credit unions) through the CDCI. Consistent with prior capital purchase programs and the goals of promoting financial stability and protecting the taxpayer, CDFIs must apply to and be recommended by their primary federal regulator to participate in this program. The CDCI broadens eligibility for participation by providing that Treasury investment capital, when matched dollar-for-dollar by private capital, can be considered in the determination made by the institution's primary regulator.

As we begin to emerge from the financial crisis, our nation's distressed communities and the CDFIs that serve them will likely continue to lag behind in growth. That is why it is so important to bolster the CDFI field's capacity in the FY2011 budget. We have asked for increased appropriations to the CDFI Fund, strong levels of funding for the NMTC, and new initiatives for the CDFI Fund to help meet new challenges.

The President's FY 2011 Budget request of $250 million includes $140 million—a 30 percent increase—in funding for the Fund's financial and technical assistance awards to expand the availability of affordable capital in distressed communities. We have also requested $12 million in targeted funding to further CDFIs' work in Native communities.

While not proposing funding this year for the Capital Magnet Fund and the Bank Enterprise Awards, we have proposed two new initiatives, Bank on USA and the Healthy Food Financing Initiative

The Budget requests $50 million for "Bank on USA," which will promote financial education, broader access to bank accounts, basic credit products, and other financial services to help families meet their financial needs and build savings and solid credit histories. The program will build on and supplement community-based efforts involving state and local governments, non-profits, and a wide array of financial institutions, including CDFIs. In addition, this initiative will promote much needed private sector innovation in the field of consumer finance for low and moderate income households lacking adequate financial access.

The Budget also requests funding for CDFI's participation in a new multi-agency effort, the Healthy Food Financing Initiative (HFFI). The initiative will help to provide financing to increase the availability of affordable, healthy foods in underserved urban and rural communities. The Initiative brings Treasury together with the Departments of Agriculture and Health and Human Services to provide over $400 million in financing to organizations with sound strategies for addressing the healthy food needs of communities. These organizations will use the funding to attract private sector capital for investments to increase access to fresh produce and other healthy foods. Treasury will devote $250 million of NMTC authority and $25 million in CDFI Fund financial and technical assistance awards to this initiative.

In addition we are requesting an extension of New Markets Tax Credit authority and important reforms to the tax credit. This year, we requested $5 billion in NMTC authority for both 2010 and 2011. NMTCs have been able to leverage approximately $12 of private investment for every $1 of tax revenue foregone. To date, NMTC recipients have invested over $15.6 billion in distressed communities across the country. We are now proposing reforms that will help attract new investors, including allowing taxpayers to claim NMTCs against alternative minimum tax (AMT) liability, bringing the credit on par with the Low Income Housing Tax Credit. Allowing the credit to offset the AMT will enable this tool to attract even more private investors and help to speed recovery in the hardest hit communities. We are also working with the IRS on additional revisions to facilitate investments in small business that are the lifeblood of our communities.

Let me close by reiterating that Treasury is committed to supporting the CDFI Fund's work to help distressed communities weather the economic downturn and to support an economic recovery that reaches all Americans. We look forward to working with this committee further to strengthen the role CDFIs can play in recovery efforts and to help CDFIs continue to serve as pioneers in financial services to underserved communities.

Thank you.

U.S. House of Representatives – Committee on Financial Services

Hearing on: "Community Development Financial Institutions (CDFIs): Their Unique Role and Challenges Serving Lower Income, Underserved, and Minority Communities"

Planned Testimony: Janie Barrera, President and CEO, ACCION Texas-Louisiana Tuesday March 9, 2010, 2 pm

On behalf of the Board and Staff of ACCION Texas-Louisiana, thank you for the opportunity to share our insight into the current impact, challenges, and opportunities related to the CDFI fund program. As the nation's largest non profit lender with a 16-year track record of sustained growth in size and footprint, we are uniquely qualified to speak on the current CDFI environment. The Committee has asked me to address, as part of my testimony, specific questions related to this topic; I believe my comments will address these questions to your satisfaction.

Our mission as a non profit organization is to provide credit to small businesses that do not have access to funding from traditional commercial sources. Over our history, we have been significant beneficiaries of the CDFI Fund; this fund has, at critical times in our evolution, provided the necessary support to grow our loan fund available to small businesses and to support operating costs associated with our growth. Since 1996, the Fund has awarded ACCION Texas over $6.8 million total in a combination of grants and loans for loan capital, all of which was deployed, on average, within twenty-four months of receipt. We have also received $132,000 in technical assistance grants used to support technology upgrades. These funds have been essential in our expansion beyond our initial office in San Antonio to 14 offices across Texas and Louisiana.

The overall impact of the sizable aggregate CDFI fund investment in Texas combined with the additional support received from other traditional funding sources such as foundations, financial institutions, and corporations, is significant. We have disbursed over 10,000 loans totaling $94 million to over 7,000 small business clients in our market area. The average loan size is $14,000 and the average credit score of our borrower is 575. We have a historical loss rate of 6%. Funds disbursed directly resulted in the creation of 2,200 jobs and the retention of 4,000 more. The importance of the CDFI Fund in maintaining this level of performance becomes even clearer in challenging economic times, when funding from other sources is often reduced or curtailed.

The recent economic downturn has had a substantial impact on our activities, both positive and negative. As "traditional" credit markets have tightened and loan approval criteria have became more restrictive at the bank level, we have seen a 20%increase in demand, which of course has had a positive impact on our monthly loan production which has averaged over $ 1 million for the last 40 months. New loan originations increased in 2009 to a record $16 million; with overall portfolio growth of 20% to $26 million. However, this increase in demand in the current downturn has also brought us a greater number of unqualified applicants, thus declines have risen as well.

As with nearly every lender, ACCION Texas experienced a challenging 2009 with respect to maintaining our historical standards for credit quality. Charge-offs were the highest in our history at $2.4 million caused primarily by a sharp increase in both Chapter 7 and 13 bankruptcy filings. Delinquencies rose significantly in first and second quarters of 2009, but were brought under control as the year progressed, returning to historical levels (94% repayment rate) by FYE 09 (see attached graph). While charge-offs were sizable, we remain confident in our ability to manage our portfolio, especially when our historical portfolio quality is viewed over a longer period of time. We have used our portfolio repayment experience, along combined with appropriate credit underwriting standards, to develop a proprietary underwriting platform to evaluate loan requests. We use this platform to help the CDFI industry. We now provide underwriting services for CDFI's nationwide with a current client base of 13 organizations. Despite the consistent 20% annual growth in our portfolio, the ever-increasing demand for our services (and the associated costs) continue to provide challenges from a liquidity perspective. We continue to maintain a heavy reliance on fundraising to support our growth. A current example is our pending $2MM CDFI Fund request to provide loan capital for continued expansion in Louisiana. We view our continued heavy reliance on financial institutions, especially given the current state of the banking industry, as a significant operating risk for our organization and our plans for growth. While we continue in our efforts to diversify our support base into new areas such as individual donors, it is clear that to ensure funding capacity exists for micro entrepreneurs, federal support such as the CDFI Fund remains a necessity.

An example of a State program that is no longer active because the fund sits empty is the The Texas Capital Access program (TCAP). TCAP was established during the 1997 legislative session, the state fund helps banks and CDFI's establish loan-loss reserve funds for increased-risk loans. The program is available to businesses of up to 500 employees.
From March 2002 to November 2004, ACCION Texas was able to leverage $200,000 from the TCAP to make "high-risk" loans to start-ups and small businesses. The TCAP fund helped us disburse 830 loans totaling $5,183,701. That created or sustained 2,151 full-time jobs across Texas, costing the state $93 per job. In 2010, with ever more people needing access to capital, ACCION Texas and other CDFI's are positioned to provide funding to those waiting for loans if the dollars are available to lend. Again, the fund is inactive because its fund sits empty.

I have been asked to provide feedback on what could be done in to help ACCION serve more people and communities in our market area, both the short-term and long-term. As noted, adequate funding to meet the demand of our markets remains our primary challenge; this challenge becomes greater as economic conditions adversely affect the capacity and decision-making of our traditional funding sources. It is our hope that recent federal efforts to increase the flow of funds to small businesses (such as loan guarantees or other stimuli) are extended to CDFI intermediaries like ACCION Texas. While recent efforts to encourage community banks to provide more loan capital to small businesses are certainly welcome, the importance of CDFI intermediaries as an alternative, growing funding source warrant their inclusion in these programs. As noted earlier, we get the money out into the street. Our deployment ratio is 90%. Additionally, given the urgency of demand and the desire to more quickly stimulate an economic recovery based in part on small business growth, I suggest revisiting the CDFI Fund application and evaluation process to identify opportunities to streamline and quicken the process, especially for prior beneficiaries with a proven successful track with CDFI funds.

Our requested action steps to improve the CDFI funding process are to 1) streamline the application, 2) earmark a higher level of funds for the program, 3) adjust the funding schedule to allow for more frequent distribution than annually, 4) modify fund restrictions and caps to better accommodate proven fund performers, and 5) establish a loan guarantee fund for CDFI intermediaries using state programs like the Texas Capital Access Program.

It is my hope that my commentary will prove to be beneficial as you evaluate the current state, and potential revisions, to the CDFI Fund process. We have benefitted greatly from the Fund, and are hopeful that Fund grants will continue to be a key component in the expansion of our market area and in the deepening of our penetration of our existing markets.

Thank you for your attention and consideration.

Testimony of Dorothy Bridges
CEO & President of City First Bank of DC
Before the Financial Services Committee
United States House of Representatives
March 9, 2010

Chairman Frank, Ranking Member Bachus and members of the Committee, good afternoon and thank you for inviting me here this afternoon to discuss the important work of Community Development Financial Institutions (CDFIs) in the context of the current economic crisis. My name is Dorothy Bridges. I am CEO and President of City First Bank of DC. We are a profitable regulated commercial bank with a community development mission. Since the bank was established, we have been certified as a Community Development Financial Institution - a distinction that has been critical to the success of City First. We currently serve the Washington DC metropolitan area, with a focus on low-wealth communities in the District of Columbia. I will keep my remarks brief, but respectfully request that the full text of my testimony be submitted for the record.

City First is a member of the Community Development Bankers Association (CDBA), which represents national and state chartered banks and thrifts whose primary mission is to serve the underserved neighborhoods and communities in their trade areas. I also serve as a member of the American Bankers Association's Board of Directors.

<u>Role of CDFI Banks</u>

As of the end of 2009, there were 62 certified CDFI Banks with approximately $17.37 billion in aggregate total assets and a median asset size of $163 million.[1] While we account for less than 10% of the total number of CDFIs we comprise more than 50% of the total assets of the CDFI industry. Significantly more of our business activity is concentrated in low to-moderate-income communities than traditional financial institutions. As certified CDFIs, we target at least 60% of our total lending and business activities to low-and-moderate income (LMI) communities and people.

[1] Source: FDIC call report data at 12/31/2009

An analysis prepared by National Community Investment Fund (NCIF)[2] of Home Mortgage Disclosure Act (HMDA)[3] and FDIC data found that CDFI Banks have nearly seven (7) times more branches in LMI areas than traditional banks and four (4) times more HMDA loans in LMI areas as a percentage of total loans than traditional banks (using a traditional bank peer group of less than $2 billion in total assets). Moreover, HMDA reportable loans provided by CDFI banks tend to be more prudently underwritten, more fairly priced, and more suitable for the borrowers. A deeper analysis by NCIF of a subset of CDFI banks found similar ratios for other types of lending in LMI areas. With permission from the Chairman and Ranking Member, I ask that the analysis conducted by NCIF be submitted for the hearing record.

As CDFI Banks, we focus on making a difference in the lives of tens of thousands of people in the communities we serve. In many cases, our members are often the only source of credit and financial services in these communities. Our lending has a ripple effect throughout the community far beyond our direct customers. We have observed that when we make loans to build and renovate housing or commercial development so that people have a decent place to live, work and shop, it sparks further revitalization.

For example, Columbia Heights is a community where City First has had positive impact. This community had been devastated by the civil disturbances of the 1960s and for more than 40 years had been all but abandoned by commercial businesses and retail establishments that were once fabric of the community. In 2005 we invested $14.4 million to finance the restoration of the Tivoli Theatre as an anchor to a broad scale development project known as Tivoli Square. The project included a Giant Food store, housing and other commercial and retail space. Our NMTC authority provided by the CDFI fund was the source of this investment. Today, this project is a huge success for the community, accounting for increased jobs for local residents and other economic benefits such as restoring the local tax base. The most striking outcome however is the renewed vitality of the neighborhood and the demonstration to other retailers, the buying power of the diverse and densely populated Columbia Heights community.

[2] National Community Investment Fund (NCIF) is a non-profit private equity trust that provides equity and deposits into depository CDFIs and conducts research on the performance of the industry.
[3] Source: National Community Investment Fund, Social Performance Metrics [SM], using HMDA data for the period ending 12/31/2009

As CDFI banks, we also recognize the critical need for small business lending so that people will have jobs.
For example, in 2009 we made loans to 14 small businesses, two of which were start ups. These small businesses created or retained 54 jobs. The businesses we lend to, in turn, act as magnets that draw other businesses into the community.

Managing a CDFI Bank in the Economic Crisis
Chairman Frank, ranking member Bachus and others on the committee, I really appreciate your public statements that community banks, particularly CDFI banks, were not a part of the problem that led to the current economic crisis; however, our communities are feeling the effects of the recession more than the rest of the banking industry.

Because of this disproportionate level of portfolio stress, CDFI banks have higher median non-current loans and charge off expenses than our traditional bank peers. FDIC call report data for the period ending December 2009 finds that CDFI banks reported a median Net Loan Charge-Offs rate of 1.11% and a median Non-Current Loan Ratio of 3.82%. By contrast, a peer group of traditional banks (those with less than $2 billion in total assets) reported a Net Loan Charge-Offs rate of 0.42% and a Non-Current Loan Ratio of 1.71%.

Due to the lack of past investments, our communities are more difficult and expensive to serve than other markets. Products are often more customized, loan sizes are smaller and less profitable and higher loan loss reserves are often necessary. FDIC call report data for the period ending December 2009 also showed that the Median Efficiency Ratio of CDFI banks was 83.85%, which is 13.22% higher than the efficiency ratio of traditional banks (using a traditional bank peer group of less than $2 billion in total assets that have a median efficiency ratio of 73.87%). The Median Return-on-Assets (ROA) was 0.02% compared to 0.48% of the same peer group. Furthermore, ROA is significantly more distressed than the peer group because we prudently take larger loan loss provisions due to the deep recession's impact on vulnerable communities in which we work. [4]

An obvious question is why CDFI banks are in these communities at all. The answer is that we believe our communities deserve the same opportunities for economic success as mainstream communities and that credit—business credit in particular—is the lifeblood of the economy and

[4] Source: ibid.

essential for recovery. CDFI banks are usually the only private sector entities that will provide such credit on sustainable terms. During the boom years there was more credit available, but much of this activity was not sustainable. Today the predators have fled and many traditional banks have curtailed their lending as they adopt more prudent underwriting to curb regulatory concerns.

Demand for CDFI bank services has been strong due the factors noted above. Yet, our ability to lend is not at the level our communities need and we would prefer. As the recession has continued over an extended period, CDFI banks have been increasingly unable to fully respond to the demand due to portfolio management challenges and restrictions imposed by regulators. The result is a tightening of credit and suppression of economic activity. As an example, we are seeing very conservative loan loss provisions, and decreased valuations based primarily on distressed market appraisals. Some CDFI banks have little choice but to dispose of loan assets at fire sale and foreclosure prices without regard to the fact that some of these properties may be cash flowing. The end result is not only a decline in profitability -- but also a reduction in capital ratios. Further exacerbating the problem is the encouragement by regulators to maintain higher capital ratios and raise new capital at a time when investor interest is at its lowest in decades.

Liquidity is also a challenge as regulators classify CDARS deposits as brokered deposits despite strong evidence that they provide a more stable source of funding for CDFIs rather than "hot" money which disappears when rates change. For City First Bank, most of the CDARS deposits are our own mission-related deposit customers who strive to balance their commitment to our mission with safety. We have sustained a 90% retention rate of our CDARS customers.

<u>Impact of the CDFI Fund on the CDFI Banking Sector</u>

The CDFI Fund has played a critical role in the growth of City First Bank and our ability to serve our communities. We have participated in all three of the major programs of the CDFI Fund with significant success by any measurement. Since we began operations in 1998 our partnership with CDFIs has enabled City First Bank to leverage many times the amount invested to directly support lending and other business activity in our communities. Our loans to small businesses and nonprofit companies have helped to create or retain 2,356 jobs. Through our participation in the FA and NMTC programs, 5,120 children have received educational benefits from charter schools financed by City First Bank.

CDFI Fund resources have also enabled City First and its affiliates to finance 3,994 special needs, transitional and affordable units of housing and we have facilitated financing for neighborhood projects that resulted in the development of over 2 million square feet of commercial real estate space that sparked revitalization and created 1,017 construction and 718 permanent jobs.

The Bank Enterprise Award Program or BEA, has been instrumental in our ability to support non-bank CDFIs. As you may know, these community based loan funds rely upon government grants, charitable contributions and socially conscious investments to raise capital, and they in turn, make loans, generally at below market pricing, to borrowers who do not qualify for traditional bank financing. Because of the BEA program, in 2009 City First made investments of $6 million to four CDFIs. Our investments had favorable terms – below market interest rates and interest-only payments. We were only able to offer this product because these loans are eligible for an after the fact award, that in effect, reimburses us for the interest loss we would otherwise suffer. The CDFIs are generally able to leverage our investments at a ratio of 2:1 – turning the $6 million into $12 million when considering other charitable resources

The $270 million in NMTC allocations awarded to City First Bank's affiliate, New Markets Advisors, LLC, have also leveraged millions more in private investment capital to support financing of these high impact projects

Because of the size of the projects we finance through our New Markets Tax Credit authority, City First has been a major player in the redevelopment of several low income communities in Washington, such as Congress Heights and Columbia Heights. In Congress Heights, we invested in the development of a 110,000 square foot multi-tenanted community facility known as THEARC. It is the only such facility in the community – a community that is characterized by high poverty and unemployment rates, high rates of women headed households, a concentration of children under the age of 18. Each year, over 7,000 children are served at THEARC. Our financing of $9.4 million allowed major educational and community service providers like Children's Hospital, Covenant House, the Boys and Girls Club and Washington Ballet, to operate programs in southeast Washington in space built to suit their needs and at low lease rates that effectively subsidized their operations. These subsidies made it possible for poor children that otherwise would not have been able to afford the fees, to participate in their programs and receive vital services. In the long term, the favorable NMTC financing will result in permanent project equity of over $2 million to THEARC, which will mean lower operating costs in perpetuity.

City First Bank had a profitable year in 2009, but that does not mean we have not been affected. The current economic downturn has had a serious impact on our communities in Washington, and, frankly, threatens many of the gains the communities have seen over the past decade. Even our strongest borrowers with good liquidity and equity are reluctant to begin on new projects, fearing that they will be unable to sustain their businesses or attract new customers. As a result, City First has been forced to expend considerable resources working out problem loans and on credit administration.

In 2009, our new loan originations dropped from about $35.4 million in 2008 to $25 million and we are seeing more deterioration in our loan portfolio. However, the bank was profitable because of the support we received from the CDFI and fee income we generated through our NMTC program. Nevertheless, we financed five public charter schools that together, will increase enrollment by an additional 350 students. And our loans last year financed 278 units of housing; 245 of those were developed and priced to be affordable to low and moderate income families.

<u>Recommendations on Legislation Impacting CDFIs</u>:
<u>FY 2011 Appropriations</u>: We strongly support the CDFI Coalition's request to modestly increase FY 2011 funding for the CDFI Fund to a total of $300 million. We are grateful that the Obama Administration has provided strong funding for the CDFI Fund in the FY 2010 budget and American Recovery and Reinvestment Act of 2009 (ARRA) stimulus act in recognition of the important role CDFIs will play to promoting recovery among people and in places hit hardest by the recession.

We are, however, deeply concerned that the Administration's FY 2011 budget eliminates funding for the BEA Program. Last year Congress appropriated $25 million for BEA. We believe the BEA Program has been highly effective in providing incentives for banks to: (1) work in the most distressed census tracts in the United States; and (2) invest in all types of CDFIs. The BEA Program is particularly important to CDFI banks. Over the past 6 years, nearly 77% of all BEA monies have supported CDFI banks. We urge the members of this Committee to support allocation of at least $25 million of the requested $300 million for the BEA Program. The original authorizing statute required at least one-third (33%) of all CDFI Fund program monies to be allocated to BEA. In the years since the original authorization ended, the share of funding the BEA has received has gradually shrunk. In FY 2010, BEA was appropriated $25 million. This represents less than 10% of the CDFI Fund's entire $247 million appropriation. We strongly urge the members of this Committee to restore funding for the BEA.

Community Development Capital Initiative (CDCI): We applaud the Administration's efforts to recognize the important role that CDFIs play in underserved communities by creating CDCI. This program will infuse affordable, patient capital into depository institutions that will preserve depository CDFIs and provide capital to support lending for new business and economic development lending. We have urged the Treasury Department and regulatory agencies to administer this program in a manner that: (1) maximizes participation by insured CDFIs and recognizes the national interest in preserving financial institutions dedicated to LMI communities; and (2) provides capital in an expeditious manner. In the case of financial institutions experiencing stress, the CDCI protects tax payers by requiring a dollar-for-dollar subordinated private equity match of Federal dollars. The CDCI program will help create healthier depository CDFIs. We have urged and will continue to advocate that the U.S. Treasury extend the CDCI to include tools that will assist non-depository CDFIs with liquidity and lending resources that will help spark job creation and economic revitalization in LMI communities.

Certificate of Deposit Account Registry Service (CDARS): CDBA members operate in neighborhoods with modest discretionary income and limited means to raise deposits to meet credit demand. Thus, as an integral part of our strategy, we raise deposits from civic-minded and socially-motivated individuals and institutions that are outside of our target neighborhoods -- but within our defined market areas. We find investors are willing to place large deposits in a CDFI bank if they know their money is safe. The Certificate of Deposit Account Registry Service (CDARS) has become the preferred vehicle among social investors for placing deposits in CDFI banks. Currently, CDARS reciprocal deposits have been swept up into a broad regulatory effort to restrain the use of conventional brokered deposits, even though CDARS reciprocal deposits are the opposite of volatile and costly "hot money." Such treatment harms the ability of CDFI banks to serve their communities by reducing liquidity. Our CDARS Reciprocal deposits share the same characteristics as our other core deposits. In most cases, the CDARS Reciprocal customer of a CDFI bank is a civic-minded individual or institution that is already a customer or is located within our market area. Nationwide 80% of CDARS placements are within 25 miles of a branch location. No longer classifying CDARS as brokered deposits would help CDFI banks continue to attract funding from socially-motivated investors that we need to serve our communities.

Jobs Creation & Preservation during the Recession: In the event there any new stimulus or jobs bills are taken under consideration this year, we urge Congress to include additional supplemental appropriations to the CDFI Fund. Last year the members of this Committee and the Congress voted to support $100 million in supplemental appropriations to the CDFI Fund in the American Recovery and Reinvestment Act of 2009 (ARRA). The purpose of this funding was to spur job creation and economic activity in LMI and minority communities experiencing the highest levels of unemployment, poverty and economic distress. Under the able leadership of Director Donna Gambrell, the CDFI Fund was able to announce ARRA awards within 60 days of enactment and distribute all awards within less than two months. The CDFI Fund's performance and speed in getting money out on the street far surpassed that of most Federal agencies. Due to strong demand created by the contraction of credit from traditional sectors, CDFIs were able to turn around and quickly deploy these resources in the form of new loans, investments and needed services such was foreclosure prevention and financial education. Given the demonstrated performance of the CDFI Fund and CDFIs under ARRA, we strongly urge Congress to include additional supplemental appropriations to the CDFI Fund in the event a new jobs bill is considered.

CDFI Fund Authorizing Statute: On March 3, 2010, the CDFI Fund issued a public notice seeking comment on needed changes to its authorizing statute. Over the coming weeks, CDBA will study the statute and make formal comments. While we are not prepared to make formal recommendations today, my remarks are guided by the underlying principals that CDBA believes: (1) the programs created by Congress in the CDFI Fund's authorizing statute are sound and well designed; and (2) the CDFI Fund is well managed and its programs effectively implemented. Any written comments submitted by CDBA will likely focus on refinements only. It should be noted that even in the absence of a reauthorization bill, we believe the programs of the CDFI Fund will continue to be effective in facilitating access to capital in LMI communities.

1. Bank Enterprise Awards (BEA): The members of CDBA strongly believe that BEA Program has been critically important to the growth of the CDFI bank sector over the past 15 years. As noted above, certified CDFIs have been the primary beneficiaries of the program for the past six years. We believe the structure of the program has been effective in targeting resources to support

lending, investments and services in the most distressed communities in the nation. We have concerns about many of the potential changes outlined in the March 3 notice. CDBA will submit detailed comments and recommendations on the issues and questions raised in the notice on or prior to May 2.

2. CDFI Program
    a. Institutional Diversity: We believe the CDFI Financial and Technical Assistance Programs should support the full range of CDFI institution types. Over the history of the CDFI Program, the statute and selection process have unintentionally resulted in some CDFI types having a competitive disadvantage in applying for awards. We believe that Congress should explore strategies to address these discrepancies.
    b. Matching Funds: CDBA recommends the Committee revisit the statutory matching funds requirements. We believe matching fund requirements have helped leverage private sector capital to the CDFI field and should be continued. Refinements, however, are needed to: (1) reflect the current weak condition of capital and philanthropic markets which are expected to take many years to fully recover; (2) give the CDFI Fund the authority to waive or adjust the matching funds requirements in times of economic distress; (3) make the form of matching funds more flexible; (4) expand the timing for raising the matching funds; and (5) allow equity investments made by the CDFI Fund into certified banks and thrifts to be considered as regulatory Tier 1 capital.

3. Certification: The CDFI industry has grown and changed significantly since the CDFI Certification requirements were adopted in 1995. While the certification application has evolved, the core certification tests and how they are applied has remained largely unchanged. We know far more about the CDFI industry today than we did 15 years ago. CDBA submitted a series of the recommendations to the CDFI Fund in 2007 and 2008 to update the certification process. Generally, the recommendations focused on: (1) strategies to streamline and reduce paperwork burden; and (2) amending some of the eligibility tests to better take into consideration distinctions in the business models, capital structures and operating environments of different types of CDFIs.

4. Liquidity Enhancement: The recent meltdown in the financial services sector and the resultant credit crunch have highlighted and exasperated the systemic lack of liquidity management infrastructure and tools. CDBA believes that the CDFI industry needs to develop a more robust set of tools, strategies, and institutional infrastructure to manage liquidity. We urge Congress to update the Capitalization Assistance to Manage Liquidity of the CDFI Fund's authorizing statute to achieve this goal. Needed updates include: (a) elimination of the award cap, matching funds, and restrictions on participation in other CDFI Fund programs are needed to grow CDFI liquidity enhancement tools and infrastructure organizations to a sufficient scale to be effective; and (2) ensure the eligible uses of funds is sufficiently flexible to support a variety of strategies and applicants.

5. CDFI Advisory Board: We believe the CDFI Advisory Board should include representatives from each major type of CDFI (e.g. banks and thrifts, credit unions, loan funds, venture, and micro-lending) to ensure the CDFI Fund receives input that will enable it to effectively serve the entire industry. The statute currently does not allow the CDFI Fund Advisory Board to achieve this balance.

NMTC: We recommend that the statute authorizing the NMTC Program be clarified to facilitate investments into Community Development Entities (CDE) that are CDFIs. While the statute allows this activity, it is not clear whether such activities should be exempt from the "direct tracing" requirements. Without such clarification, using NMTC investments to support this activity is onerous and costly and effectively negates the ability of the NMTC to be used to invest in CDEs that are CDFIs.

Conclusion

CDFI banks play a critically important in the economic life blood of the communities we serve. I thank Chairman Frank, Ranking Member Bachus and members of the Committee for the opportunity to tell you the story of City First Bank of DC, the work we do, and people served. The communities that CDFI banks serve are traditionally disproportionally impacted by negative economic trends. The members of the House Financial Services Committee can help support the important work of CDFIs by:

- Recognizing the important role CDFI play in restoring the economic health of low wealth communities;

- Recognizing that a small amount of Federal dollars create big impact in local communities and supporting our appropriations request of $300 million for FY 2011 including at least $25 million for the Bank Enterprise Award Program; Furthermore, in the event the Congress sees fit to consider another stimulus or jobs bill this year that resources are dedicated to support CDFIs working in the communities hardest hit by the recession;
- Providing oversight to ensure the CDCI Program is administered in a manner that: (1) maximizes participation by insured CDFIs and recognizes the national interest in preserving financial institutions dedicated to LMI communities; and (2) provides capital in an expeditious manner;
- Understanding the challenge CDFI Banks face in managing liquidity as CDARS deposits continue to be classified as brokered deposits;
- Working to ensure the New Markets Tax Credit Program maximizes the opportunity for investors to support CDFIs; and
- In considering any potential reauthorization issues, recognizing that the existing programs of the CDFI Fund are sound, well designed, effectively implemented and create significant positive impact in needy communities.

In conclusion, the members of the Committee should recognize the serious toll this deep recession has taken on low-wealth and minority communities. Realistically, it will likely take years to revitalize neighborhoods devastated by predatory lenders. We seek to work in partnership with the House Financial Services Committee to ensure that the communities we serve have a voice and are not left behind in the economic recovery.

Testimony of William Bynum
Enterprise Corporation of the Delta and Hope Community Credit Union

House Financial Services Committee

"Community Development Financial Institutions: Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities"

March 9, 2010

Mister Chairman, Ranking Member Bachus and members of the Committee, good afternoon. Representative Childers, it is good to see you again. Thank you for holding this hearing on the role of Community Development Finance Institutions in serving the nation's low-income communities and for inviting me to testify.

My name is Bill Bynum and I serve as CEO of the Enterprise Corporation of the Delta (www.ecd.org) and its affiliate Hope Community Credit Union (www.hopecu.org), which are collectively referred to as ECD/HOPE. ECD/HOPE is a financial institution, community development intermediary and policy center that provides affordable financial services; leverages private, public and philanthropic resources; and engages in policy analysis in order to fulfill its mission of strengthening communities, building assets, and improving lives in economically distressed parts of the Mid South.

Since 1994 ECD/HOPE's efforts have generated over $1.4 billion in financing and benefited more than 71,000 individuals in the Delta Region, Katrina-affected areas and other distressed communities throughout Arkansas, Louisiana, Mississippi and Tennessee.

In my testimony today, I will focus my comments in the following areas.

I. The critical roles that Community Development Finance Institutions (CDFIs) and the CDFI Fund play with regard to highly distressed people and places;

II. ECD/HOPE's recent experience in one of the nation's most distressed regions; and

III. Recommendations for increasing the ability of CDFIs to assist in the nations' economic recovery.

I. Community Development Finance Institutions and the CDFI Fund

While I make my comments as CEO of ECD/HOPE, I also serve as chairman of the Community Development Advisory Board (CDAB). The authorizing statute of the CDFI Fund charges the Advisory Board with providing input on the policies, programs and practices of the CDFI Fund. Last October, in the midst of the worst financial crisis in over 50 years, we took several steps to formulate recommendations on matters related to the impact of the financial crisis on the CDFI industry and the communities we serve. We gathered extensive input from CDFIs, Community Development Entities, trade association, foundations, and other key stakeholders.

This process resulted in a series of recommendations that were presented to the Director Gambrell in March 2009. I am pleased to say that several of the recommendations have been implemented and have resulted in a financial lifeline for many thousands of people struggling to survive in distressed communities across the nation.

Director Gambrell and the CDFI Fund are to be commended for their exemplary performance over the past several months, specifically with regard to the expedited processing of awards which enabled financial assistance from the CDFI Fund to reach those in need faster than ever before.

At the end of 2009 there were 835 certified CDFI's in the United States.[1] The outputs generated by CDFI Fund awardees in 2009 include:

- Over 70,000 Jobs Created or Retained;
- Nearly 11,000 Businesses Financed;
- $1.3 Billion Leveraged from private sources; and
- Roughly 160,000 Individuals Received Financial Literacy Training

Assistant Secretary Barr and Director Gambrell can more fully speak to these and other successes in their respective testimonies. The CDFI industry appreciates the leadership and support demonstrated by Congress and President Obama's Administration that made this possible.

It is particularly noteworthy that CDFIs exemplify many characteristics that demonstrate value and good stewardship of taxpayer dollars. Among these are:

- *CDFIs have a strong track record of reaching the underserved*
  The CDFI data project reports that 52% of CDFI customers are women, 60% are minority and 70% are low-income.[2]
- *CDFI's deploy funds quickly*
  Data from the CDFI Fund show that over 85% of awarded funds are spent in the first year, despite regulations permitting up to three years to spend the award.
- *CDFIs represent a prudent investment of taxpayer dollars*
  CDFI's experienced a net charge off rate of 1.78% percent in 2009; compared to 2.49% for all FDIC-insured lenders during the same time period.[3]

However as recent as the fourth quarter, 56% of CDFIs surveyed by the Opportunity Finance Network – the trade association for CDFIs – reported increases in the demand for financing due to a general tightening of credit in the economy, including decreased bank lending, the deterioration of secondary markets for housing and business loans, a proliferation of predatory lending, and the decline in subsidies for affordable housing and community development arising from state budget shortfalls.

With additional liquidity CDFI's can meet unmet demand
Over 200 high scoring applications for CDFI Fund Financial Assistance awards totaling $328 million could not be funded in FY09. Additionally, CDFIs nationwide report financing trends not keeping pace with demand for capital. According to the Opportunity Finance Network, 53% of respondents to the 2009 4th quarter market conditions survey stated that demand was higher than actual originations.

CDFIs around the country report capital constraints that prevent them from responding to the increased demand. Unfortunately, the impact of this is greatest in areas that have historically suffered from high levels of poverty and a lack of access to capital, and in areas that have a high percentage of minority residents.

To underscore this point, I would like to take a few minutes to share with you a perspective from a CDFI working in one of the nation's most distressed regions.

II. Challenges Facing CDFIs in the Mid South

Arkansas, Louisiana and Mississippi have the three highest poverty rates in the country. At $37,790 and $38,815, Mississippi and Arkansas, respectively, have the lowest and 3rd lowest Median Family Incomes in the country. The Mid South is also home to a large minority population. For example, thirty-seven percent (37%) of Mississippi's population is African American – the highest percentage in the nation.

The 2009-2010 Assets and Opportunity Scorecard published by the Corporation for Enterprise Development cites the Mid South States among those with the highest rates of unbanked residents, and Mississippi and Louisiana with the highest rates of high cost mortgage lending in the nation. Additionally, despite a high concentration of minorities, Mississippi and Arkansas are among the five states with the lowest rates of minority business ownership in the United States.

Despite the region's economic challenges, ECD/HOPE has provided a significant level of financial services to underserved individuals and communities in the Mid South. Eighty-four percent (84%) of HOPE's members are minority and 82% are considered low- or moderate-income. More than one out of three HOPE members were unbanked when they joined the credit union. ECD/HOPE's commercial lending primarily occurs in distressed communities as 62% of its commercial loans are to businesses located in census tracts with poverty rates above 20%. Over 40% of ECD/HOPE assisted businesses are also owned by women or minorities. Finally, 85% ECD/HOPE's mortgage lending is conducted with first time homebuyers and with the majority of borrowers being low-income and minority.

The following examples help illustrate the impact of ECD/HOPE's work.

<u>Primary Health Services Center</u>
Primary Health Services Center (PHSC) is the main health clinic serving low-income residents the northern Louisiana Delta area. Over the years ECD/HOPE has made several loans to help PHSC expand their services. The first loan financed the purchase of the building that houses PHSC's main clinic. A second loan was used to acquire a facility for behavioral health services, a dental clinic and administrative offices. The most recent loan supported a satellite clinic in a low-income area that enables PHSC to provide more services to the area residents. The new facility added 20 full-time jobs at the center. Since 2005, the number of patients seen has increased from fewer than 23,000 to nearly 40,000.

This increased capacity also enabled PHSC to qualify as a Federally Qualified Health Center and secure grant funding for additional services. As a result PHSC was able to expand its services beyond primary health care, to include dental services, health care for the homeless, and behavioral health services, such as therapy for alcohol, drug addiction and domestic violence. In addition, two mobile medical units go out into the community to provide primary care services to the homeless and to public housing residents. PHSC and ECD/HOPE are now working to structure financing for a new, expanded dental clinic.

<u>Carpenter Estates</u>
When Stephanie Williams moved to Cleveland, Mississippi to take care of her ailing mother, she found that apartment rents were beyond her budget. Like many Delta towns, Cleveland suffers from a shortage of quality, affordable housing. Many residents live in poorly maintained, overcrowded properties. Despite the obvious need for affordable housing, many investors and lenders consider small, rural developments too risky. With relatively low rents and a limited number of units, even a few vacancies can threaten profitability. To overcome this obstacle, ECD/HOPE provided a permanent mortgage that enabled the developer to utilize the Low Income Housing Tax Credit program. As a result, Stephanie, her children and other Cleveland residents now have Carpenter Estates, a 72-unit multi-family complex as an option for quality, affordable housing.

Similar to CDFI industry trends, this increased loan production has been accomplished in a responsible manner. The annualized net charge off rate for ECD/HOPE's mortgage lending in 2009 was 0.05%. HOPE's commercial charge off rate was 1.09% during the same period. These charge off rates were below those of FDIC insured institutions, despite ECD/HOPE's focus on low-income customers and economically distressed areas.

Prior to the recession, ECD/HOPE had never loaned more than \$13.8 million to small businesses on an annual basis. In both 2008 and 2009 ECD/HOPE's commercial loan production exceeded \$18 million. In 2009, HOPE closed the highest volume of consumer loans in its 15 year history.

However despite a successful track record and a high level of demand for our services, ECD/HOPE is limited by a severe lack of capital and liquidity. This challenge is aggravated by the absence of large banks and local foundations and large corporations, which have historically provided financial support for CDFIs in larger urban markets. Unfortunately, CDFIs in Mississippi have received limited benefit from the recent increase in CDFI resources.

Since the start of the recession, CDFIs based in Mississippi have received \$480,000 out of a total of \$170 million in Financial Assistance Awards made by the CDFI Fund. Likewise, of \$14 billion allocated in New Markets Tax Credits, Mississippi based institutions only received \$40 million.

III. Policy Recommendations

The following recommendations are respectfully submitted with the intent of increasing the ability of CDFIs to contribute to the national recovery, particularly with regard to people and communities facing the highest level of distress, and to further position CDFIs as an acknowledged component of the nation's financial sector.

- **Give greater priority for CDFI funding to areas of high economic distress** – Congress and the CDFI Fund should give higher priority for NMTC and CDFI awards to communities with extraordinary levels of distress such as certain rural communities, communities with high poverty, job loss, etc. Consideration should be given to allocating additional funds for this purpose, in a manner similar to the supplemental NMTC allocation made following Hurricane Katrina.

- **Make TARP funds available to non-depository CDFIs.** The CDAB recommended that \$2 billion in TARP funds be allocated to support CDFIs. CDFI trade groups estimated that their members could collectively deploy up to \$3 billion in debt or equity capital over a two-year period. We are grateful for the recent allotment of \$1 billion for CDFI depositories, and for the first time inclusion of credit unions in this program. However this initiative did not include CDFI loan funds.

  A primary intent of EESA was to unfreeze the credit markets and restore the flow of credit to small businesses, homeowners and consumers. Section 2 (2)(B) defines a primary purpose of EESA to preserve homeownership and promote jobs and economic growth. Section 103 lays out the issues the Treasury Secretary should consider in operating under EESA. These include the following:

  – (3) the need to help families keep their homes and to stabilize communities;
  – (5) ensuring that all financial institutions[1] are eligible to participate in the program, without discrimination based on size, geography, form of organization…

[1] SEC. 3. DEFINITIONS. (5) defines a financial institution concentrating the definition on banks, savings associations, credit unions, etc. but not limiting the definition to these types of financial institutions.

CDFIs are a perfect vehicle for the Administration to fulfill the purpose of EESA to promote and maintain homeownership and promote jobs and economic growth, to provide consumer credit when banking and credit-card companies have sharply abridged availability, and to clearly demonstrate that the benefits of this act extend not only to large financial conglomerates, but to individuals and families in struggling communities across the country.

Loan funds and venture capital funds and other non-depository organizations account for the majority of certified CDFIs and cover a large number of rural and minority communities. A timely and important example of the potential impact of providing increased liquidity to loan funds can be found in the New Markets Tax Credits program, where 30 CDFI loan funds with current allocations reported immediate unmet demand for more than $982 million, based on $1.3 billion of unfunded NMTC allocations that represents hundreds of shovel-ready projects that could have an immediate impact in areas of high economic distress.

CDFI banks, CDFI credit unions and CDFI loan funds each deploy substantial, unique and critical services in distressed communities. Several viable proposals have been put forth by the CDFI industry that would responsibly make TARP funds available to non-depository CDFIs. The CDFI industry stands ready to work with Congress and Treasury to address this pressing need as soon as possible.

- **Expand Access for CDFIs to Federal Resources** - Given the vital and unique role that CDFIs play in providing financial services to communities with the highest need, it stands to reason that CDFIs should have access to federal resources and programs on par with traditional financial institutions. In addition to the Federal Home Loan Bank, CDFIs should be eligible for capital and credit enhancement programs offered by USDA, SBA, HUD, Commerce and other agencies, and should be fully utilized by these agencies in their efforts to provide services to distressed people and places. These efforts should include depository and non-depository CDFIs. Because several agencies are represented on the CDAB, this body could help facilitate this collaboration.

Conclusion

Chairman Frank, Ranking Member Bachus and members of the Committee, thank you for your support of the CDFI industry and for allowing me to share my perspectives with you today. In this new financial landscape a strong CDFI industry is vital, not only to the distressed communities that we serve, but to the integrity of our entire nation. We look forward to working with you to build on the success that has been achieved over the fifteen years of the CDFI Fund, and to insuring that all citizens, regardless of where they live, or what they look like, have access to the tools needed to realize the American dream.

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[1] Certified Community Development Financial Institutions - Alphabetical By State and City U.S. Treasury CDFI Fund, http://www.cdfifund.gov/docs/certification/cdfi/CDFIbyState.pdfaccessed on March 4, 2010.
[2] The CDFI Data Project Fiscal Year 2007 Seventh Edition. Opportunity Finance Network, http://opportunityfinance.net/store/downloads/cdp_fy2007.pdf accessed on March, 4 2010.
[3] CDFI Market Conditions Report Fourth Quarter 2009. Opportunity Finance Network, www.opportunityfinance.net/store/downloads/cdfi%20market%20conditions%20report%204thq09.pdf accessed on March 4, 2010.

ECD/HOPE
Enterprise Corporation of the Delta
Hope Community Credit Union

FACT SHEET

ECD/HOPE Overview

ECD/HOPE (Enterprise Corporation of the Delta/Hope Community Credit Union) is a financial institution, community development intermediary and policy center that provides affordable financial services; leverages private, public and philanthropic resources; and engages in policy analysis in order to fulfill its mission of strengthening communities, building assets, and improving lives in economically distressed parts of the Mid South.

ECD/HOPE's efforts have generated over $1.4 billion in financing and benefited more than 71,000 individuals in the Delta, Katrina-affected areas and other distressed communities throughout Arkansas, Louisiana, Mississippi and Tennessee.

Primary Services and Capabilities

ECD/HOPE has a demonstrated track record of success in the following areas:

- **Business Lending:** Loans for small- & medium-sized businesses ♦ New Markets Tax Credit financing ♦ Public agency guarantees and credit enhancements ♦ Financing for nonprofits, community facilities, health care, child care and other community infrastructure ♦ Loan participations
- **Housing Finance:** Single family mortgages ♦ Rental mortgages ♦ Low-Income Housing Tax Credit debt and equity ♦ Development of rental and owner-occupied housing
- **Retail Financial Services:** Transaction products such as checking accounts, online banking, credit cards, debit cards, ATM cards ♦ Savings products including Individual Development Accounts, IRAs ♦ Secured and unsecured consumer loans including payday alternative loans, automobile loans, home equity loans, affordable refund anticipation loans
- **Intermediary Services:** Financial counseling such as foreclosure mitigation, homebuyer education, credit building, VITA ♦ Affordable housing development ♦ Loan fund administration ♦ Project design and management
- **Policy Analysis and Advocacy:** Family Economic Self Sufficiency ♦ Responsible Financial Services ♦ Budget and Tax Equity

In each area ECD/HOPE seeks to increase the impact of its work by collaborating with community development organizations, private industry, public agencies, philanthropy and others at the national, state and local levels.

Awards & Recognition

Annie E. Casey Foundation ♦ Aspen Institute ♦ Co-op America ♦ Credit Union Times ♦ Episcopal Network for Economic Justice ♦ Ernst & Young ♦ Kauffman Foundation ♦ NAACP ♦ National Federation of Community Development Credit Unions ♦ National Rural Assembly ♦ Opportunity Finance Network ♦ Wachovia.

Office Locations

- *Arkansas:* College Station ♦ Forrest City ♦ Little Rock ♦ West Memphis
- *Louisiana:* Baton Rouge ♦ New Orleans
- *Mississippi:* Biloxi ♦ Camden ♦ Greenville ♦ Gulfport ♦ Itta Bena ♦ Jackson (3) ♦ Robinsonville
- *Tennessee:* Jackson ♦ Memphis (3)

Contact Information

Phone: 1-866-843-3358 ♦ 1-866-321-HOPE
Websites: www.ecd.org ♦ www.hopecu.org ♦ www.mepconline.org
E-mail: info@ecd.org

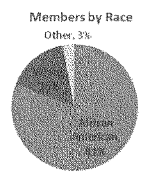
Arkansas • Louisiana • Mississippi • Tennessee

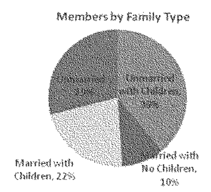
2009 IMPACT PROFILE

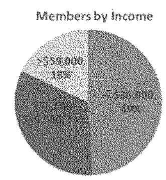
ECD/HOPE
Enterprise Corporation of the Delta
Hope Community Credit Union

HOPE Members	27,000
Small Business Loans (1994-2009)	699
Mortgage Loans (1994-2009)	1,382

Strengthening Communities







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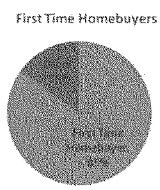
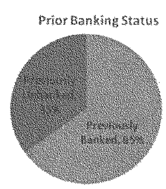
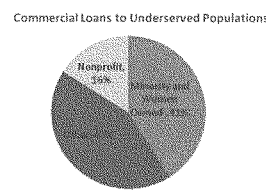
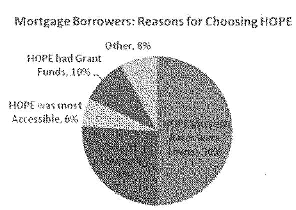
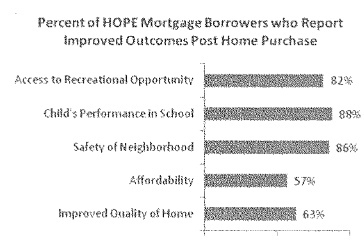






Improving Lives





Arkansas • Louisiana • Mississippi • Tennessee

ECD/HOPE
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Customer Profile

Daisel Brown - Saucier, MS

HOPE Affordable Housing Program
First-Time Homebuyer
Sales Price: $166,750 Loan amount: $57,700

Prior housing arrangement – Two bedroom apartment
Household Income – $39,156
Family type – Single head of household
Number of Children in home – Four

In the fall of 2009, Ms. Brown and her four children were in dire need of a new home. The four children shared a single bedroom and the apartment was not handicapped accessible to accommodate her disabled child. The Browns were living in an unsafe apartment complex, where home burglaries were was a constant problem. The sound of gunshots was common, and a bullet had recently lodged in the floor of their apartment.

ECD/HOPE was able to provide Ms. Brown with a $57,700 mortgage to help with the purchase of her first home.

But ECD/HOPE did not stop there.

ECD/HOPE provided her with comprehensive credit analysis, pre-purchase housing and financial counseling and connected her with a local program that enabled her to secure $22,500 in downpayment assistance, a $3,500 closing cost grant and a second loan for $86,550 at zero percent interest.

> *"I have a beautiful home and my boys are extremely happy. It shows in their day to day progress."* Daisel Brown

Today each of the Brown children has a room of their own and a safe backyard to play in. The 1,700 square foot home is also handicapped accessible for her son. One of her children has gone from being considered a trouble-maker at school to becoming student of the month.

ECD/HOPE
Enterprise Corporation of the Delta
Hope Community Credit Union

Customer Profile

Primary Health Services Center – Monroe, Louisiana

Amount of Financing - $950,000

Primary Health Services Center (PHSC) is the main health clinic serving low-income residents the northern Louisiana Delta area.

Over the years ECD/HOPE has made several loans to help PHSC expand their services. The first loan financed the purchase of the building that houses PHSC's main clinic. A second loan was used to acquire a facility for behavioral health services, a dental clinic and administrative offices.

The most recent loan supported a satellite clinic in a low-income area that enables PHSC to provide more services to the area residents. The new facility added 20 full-time jobs at the center. Since 2005, the number of patients and visits has steadily increased.

	2005	2006	2007
Patients	8,119	9,512	9,679
Visits	22,762	33,712	39,874

This increased capacity also enabled PHSC to qualify as a Federally Qualified Health Center and secure grant funding for additional services. As a result PHSC was able to expand its services beyond primary health care, to include dental services, health care for the homeless, and behavioral health services, such as therapy for alcohol, drug addiction and domestic violence. In addition, two mobile medical units go out into the community to provide primary care services to the homeless and to public housing residents.

PHSC and ECD/HOPE are now working to structure financing for a new, expanded dental clinic.

ECD/HOPE
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William J. Bynum

William J. (Bill) Bynum is CEO of ECD/HOPE (Enterprise Corporation of the Delta/Hope Community Credit Union), a community development financial institution, intermediary and policy center that addresses development needs confronting low-wealth people and communities in Arkansas, Louisiana, Mississippi and Tennessee. Since 1994 ECD/HOPE has generated over $1.4 billion in financing and related assistance for entrepreneurs, homebuyers and community development projects in the Delta, areas affected by Hurricane Katrina and other distressed Mid South communities, benefiting more than 71,000 individuals.

Bynum is a Henry Crown Fellow of the Aspen Institute and is recipient of the University of North Carolina Distinguished Alumnus Award, Ernst & Young/ Kauffman Foundation National Entrepreneur of the Year Award, National Rural Assembly Rural Hero Award, and National Federation of Community Development Credit Unions Annie Vamper Award. His board/trustee service includes Millsaps College, Jackson State University Foundation, Winthrop Rockefeller Foundation, Foundation for the Mid South, Mississippi Children's Museum, Regions Bank Community Development Corporation, and the William Winter Institute for Racial Reconciliation. He is also a Presidential appointee to the Community Development Advisory Board, which he currently chairs. Prior to joining ECD/HOPE, Bill helped establish Self-Help, a pioneer in the development banking industry, and directed programs at the North Carolina Rural Economic Development Center.

First Nations Oweesta Corporation

Testimony of Tanya Fiddler

- Vice President, First Nations Oweesta Corporation
- Co-chair, Native CDFI Network
- Previous Executive Director, Four Bands Community Fund

To the House Committee on Financial Services Hearing on:

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)— THEIR UNIQUE ROLE AND CHALLENGES SERVING LOWER-INCOME, UNDERSERVED AND MINORITY COMMUNITIES

March 9, 2010

***Pilamaya ye*, thank you!**

Chairman Frank, Ranking Member Bachus, and distinguished Members of the House Committee on Financial Services—*Mitakuyapi, Tuktel He Najin Oyate Wiyankapi Win Lakota emaciyapi na Tanya Fiddler English emaciyapi, k'sto.* To all of you, my Lakota name is "She Stands Where the People Watch Her Woman" and my English name is Tanya Fiddler. I am an enrolled member of the Cheyenne River Sioux Tribe. I have run a nationally recognized Native CDFI in Eagle Butte, South Dakota for the past 10 years. I am now the Vice President of Programs and Operations at First Nations Oweesta Corporation, a role I assumed in January. I am also the co-chair of the newly formed Native CDFI Network.

Let me begin by saying *Pilamaya ye*, thank you, for the opportunity to appear before you on behalf of Oweesta, the Native CDFI Network, and Native communities throughout the US.

Introduction

Oweesta is a national, certified Native CDFI intermediary that provides training, technical assistance, and investments to help Native communities across the country establish sustainable, vibrant, and healthy economies. A principal focus of our work is to help communities build and strengthen CDFIs in lower-income, underserved, and minority communities—the focus of your hearing today.

One of the areas where Oweesta has done extensive work is the Cheyenne River Indian Reservation. This is the reservation where my family is from and where I have spent much of my adult life. I am here to say that communities on my reservation, like many other Native communities, are experiencing <u>REAL</u> changes—we are replacing poverty with entrepreneurship and financial skills.

Self-sufficiency, wise resource management, and entrepreneurship are all traditional Native values, and over the last decade Oweesta has been leading the movement to renew these values in today's modern Native communities. The movement we are part of is <u>greatly</u> enhanced by the support Native communities have been receiving - and continue to receive - from the US Treasury's CDFI Fund. I cannot say enough good things about the role the Fund is playing—but I will do my best to address some of key contributions being made as part of my response to the questions I received from Chairman Frank.

I also want to note that there are many other partners working together with the CDFI Fund, Oweesta, and the many Native CDFIs we support. We are a team of governmental and non-governmental organizations, Native and non-Native leaders, networks and coalitions—too many to even attempt to list. I will point out one network of which I am a part that is specifically focused on CDFIs - the Native CDFI Network. This network promotes peer-to-peer learning among Native CDFIs and collaboration focused on strategic policy priorities.

As requested by the Committee, I am going to focus my remarks on the questions sent to me. Lakota people value humility, and in our culture it is inappropriate to brag of your accomplishments. In order to validate an individual's contributions there must be a story teller, a witness who informs the community. In the Lakota oral tradition of *Waktoglaka*, "telling of our victories," I come here as that witness to share the successes of Native CDFIs and their customers—Native American families and communities.

Question 1: What has been your general impression of the usefulness of the community development financial institutions (CDFI) Fund?

The CDFI Fund is a critical element in Native economic development!

Since the inception of the Native Initiatives Program at the CDFI Fund in 2002, 221 awards totaling $46.8 million have been made to Native CDFIs serving almost 100 Native communities throughout the United States. The result has been a remarkable growth in the Native CDFI industry. In FY 2001, the year before the Native Initiatives Program was launched, there were nine certified Native CDFIs in the United States. By January 2010 the CDFI Fund had certified 55 Native CDFIs, and another 60 Native CDFIs are preparing for certification and receiving specialized technical assistance and training. A list of the 55 certified Native CDFIs is attached to the end of this testimony.

In 1999, the CDFI Fund conducted a Native American Lending Study that examined access to capital and financial services in Native communities. This pivotal document identified 17 major barriers to economic development in Native communities—among those barriers were credit worthiness, lack of equity, lack of financial and business skills and training, and lack of financial institutions and legal infrastructure. The Study offered a variety of recommendations to address these barriers.

My community, the Cheyenne River Sioux Reservation, participated in the Native American Lending Study. The Reservation encompasses Dewey and Ziebach counties in South Dakota, two of the poorest counties in America according to the 2000 U.S. Census. In 2000, we used the findings from the report to promote the development of Four Bands Community Fund, a Native CDFI that provides financial skills and business training, technical assistance, and revolving loan funds to residents of the Reservation. When Four Bands began operations, 80 percent of the Reservation population was Native American but less than one percent of the businesses were Native-owned. This disparity provided immense opportunity for Four Bands' products and services.

In response to the Native American Lending Study, the CDFI Fund established the Native Initiatives Program in 2002, and began to work in partnership with organizations like Oweesta to address the barriers preventing access to capital and financial services to Native Americans. The Fund began offering Native-specific funding that not only recognized the unique set of circumstances that Native communities face in spurring economic development, but it also created greater opportunity for community-based financial institutions to develop and expand. Prior to the establishment of this program, Native CDFIs received funds through the CDFI Fund awards that targeted all CDFIs, Native and non-Native. The Native Initiatives Program today administers the Native American CDFI Assistance (NACA) Program. Through its NACA Program, the CDFI Fund provides funding to build the community development capacity of certified Native CDFIs, emerging Native CDFIs, and sponsoring entities, and to increase access to capital in Native communities throughout the country.

What makes the Fund's role in promoting growth in Native CDFIs so useful? It is because Native CDFIs are the leading source of capital for small businesses and home buyers in low-income, Native communities. These communities have never been well served by mainstream financial institutions, making them great targets for predatory lenders that have been happy to fill the void. When Tribal governments tried to step in on their own and become the source of loan capital, the agencies and individuals providing these loan services often had no experience or "best practices to follow" in the loan business or in private business development and therefore the efforts often failed.

On behalf of Oweesta and the expanding group of Native communities we serve, I would like this Committee to know that the Fund's approach in working with the Native community is exemplary. Yes, there are ways to make improvements, but overall the innovative work of the CDFI Fund has been one of the federal government's most successful programs for alleviating poverty in Native communities. In my response to Question number 7, I will recommend a few ideas to improve upon the good work currently being done by the CDFI Fund.

Question 2: Could you explain the exact nature of the economic activities in which your institution has been engaged through the CDFI Fund?

Oweesta and the CDFI Fund work in partnership to support economic development in local Native communities.

Oweesta is a CDFI intermediary—this means we do not directly fund a business or home buyer. Instead, we use funds provided to us from a range of sources, especially the CDFI Fund, to stimulate economic activities in Native communities across the country. We provide training and technical assistance and investments that increase the number of certified Native CDFIs, strengthen the operational capacity of existing Native CDFIs, and guide Native CDFIs in the creation of important financial education and asset-building programs for their communities. Oweesta has received over $2 million through the CDFI Fund's NACA program. These funds have enabled us to develop our own organizational capacity and provide much-needed services to support Native communities in their efforts to build local economies.

In addition, we have been a contractor for the CDFI Fund's Expanding Native Opportunity training and technical assistance initiative. Oweesta has witnessed first-hand the positive impact that this training and technical assistance is having in building the financial infrastructure necessary for economic development in Native communities. Under contract with the CDFI Fund, Oweesta has launched several Expanding Native Opportunity initiatives that support the creation of lending institutions, the establishment of financial education and asset building programs, and the development of enterprise and entrepreneurship systems in Native communities. In 2003, we partnered with CDFI-industry organization Opportunity Finance Network and the CDFI Fund to start the Native Communities Financing Initiative (NCFI), a multi-part training program originally designed to help Native communities develop and expand Native CDFIs. In 2005, we began delivering the Native IDA Initiative (NIDAI), a training and technical assistance program designed to help Native organizations start, implement, and sustain matched savings accounts called individual development accounts (IDAs). In 2007, we launched the Native Financial Skills and Entrepreneurship Initiative (NFSEI) to enable Native CDFIs and tribal entities to establish financial skills training programs in their communities, and to enhance the enterprise and entrepreneurship development systems in other Native communities. As of today we continue to work with the CDFI Fund on Native CDFI development, financial skills program development, and strengthening enterprise and entrepreneurship systems in Native communities. Unfortunately, the important work of IDA program development in Native communities has been halted.

This significant monetary investment by the CDFI Fund and the creation of the Expanding Native Opportunity initiatives fueled the growth of the Native economic development field. Award of these federal contracts has allowed Oweesta to reach a much broader audience at a more frequent rate, ultimately changing more individual Native lives.

Question 3: What specific economic or neighborhood impact can you point to that has resulted from the CDFI Fund investment?

CDFI Fund investments in Native communities have expanded Native CDFIs, which in turn offer innovative products and services to expand small businesses and jobs, support home ownership and other credit building opportunities, and create locally driven economic development.

As noted earlier, Oweesta is a CDFI intermediary. Therefore I will focus first on achievements that CDFI Fund investments have made possible for Oweesta and the work it conducts as a national Native CDFI intermediary organization. I will then provide several examples of how the CDFI Fund has supported innovative products and services offered by Native CDFIs at the local level—products and services that result in new small businesses and jobs, home ownership and other credit building opportunities, and locally driven economic development.

Examples of Oweesta's Achievements:

1. Community Development Financial Institution Development throughout Indian Country – As noted earlier, Oweesta has worked closely with the CDFI Fund to support the expansion of Native CDFIs throughout the United States—starting with two in 1999 and expanding to 55 by early 2010. We believe that without Oweesta's involvement, prompted by support from the CDFI Fund, the rapid expansion of Native CDFIs as illustrated in an attachment to this testimony would not have happened. These Native CDFIs are enabling Native people to build stronger, more self-sufficient communities and nations. Native CDFIs help to develop local economies by creating entrepreneurs and businesses, increasing homeownership, and empowering community members to reach their financial goals. Native CDFIs provide locally-based access to capital and the necessary capacity building services to bring permanent and positive change to Native economies.

2. Financial Education & Asset Building – In addition to supporting the expansion of Native CDFIs, Oweesta has provided training to stimulate ongoing financial education programs in Native communities. These programs enable communities to teach people how to manage their assets, save towards financial goals, take advantage of resources, and avoid predatory lenders. They also use volunteer income tax assistance (VITA sites) to take advantage of the earned income tax credit (EITC) available to low-income households to create and build assets. To date, 630 Native organizations have completed Oweesta's financial education instructor training program, 227 have completed IDA training, and more than 450 have participated in an Earned Income Tax Credit training program or other asset-building training activity.

3. Enterprise & Entrepreneurship Development – Creating strong and effective enterprise and entrepreneurship systems in Native communities is essential to building a healthy, thriving economy. By establishing, expanding, and improving local systems and infrastructure, Native communities create an environment that supports tribal enterprise and private entrepreneurship, allowing businesses and the private sector to flourish. Since establishing the Enterprise & Entrepreneurship Development Department in 2008 Oweesta has provided enterprise and entrepreneurship training to more than 25 tribes and organizations.

Examples of Innovative Products and Services Offered by Native CDFIs in their Local Communities:

1. Culturally appropriate business development and financial education classes such as Building Native Communities and Indianpreneurship – Native CDFIs are using innovative training programs to teach business and financial planning. The historical lack of financial institutions and non-government dependent economic development has created a gap in traditional business and financial skills. Culturally relevant curriculum is providing the information in a way that retains traditional Native values.

2. Small Businesses loans using the Bureau of Indian Affairs loan guarantee and insurance programs to minimize the risk in loan portfolios – In the last two years, Native CDFI leadership has worked with the Bureau of Indian Affairs' economic development programs to recognize Native CDFIs as "preferred lenders." This has made their loans eligible for loan guarantees, which has opened new doors to credit for small business owners and has allowed local CDFIs to leverage their loan capital dollars, thereby stretching them further.

3. Credit builder training and loans – Local Native CDFIs are offering loan products that help borrowers learn about, build, and repair their credit history in order to access affordable financing for housing and/or small business ownership. These institutions teach their clients that a credit rating is an asset, and they create an opportunity for tribal members with poor or no credit histories to build that asset as a foundation to more tangible assets such as businesses or homes.

4. Youth entrepreneur internships – This innovative service provides an earned income opportunity for youth to work for local businesses and save money for asset-producing goals, including college or technical training. Students complete financial education training and college preparatory activities while participating in an Individual Development Account (IDA) program.

5. Alternative refund anticipation loans – Native CDFIs are working in partnership with IRS Volunteer Income Tax Assistance (VITA) sites to help tribal members complete their federal income tax returns and, in many cases, access their Earned Income Tax Credit (EITC) that would otherwise go unclaimed. Native CDFIs can provide low- or no-interest loans to customers in order to avoid high-cost "refund anticipation loans," or RALs. Native CDFIs combine financial skills training and tax preparation services to keep tribal members from giving away a portion of their well-deserved tax refund for the easy lure of quick access to cash.

6. Educating Tribal leadership – Native CDFIs are using financial skills training to build the capacity of elected Tribal leadership to provide direct lending to Tribal Districts for home renovations, which in turn has lowered default rates in the Tribe's loan portfolio and expanded their markets.

Questions 4, 5, & 6:

- How has the economic downturn affected your entity's activities?

- Has it affected the demand for your institution's services, your liquidity, your balance sheet?

- How have you had to manage your portfolio in light of these circumstances?

Due to the economic downturn Native CDFIs have experienced an increase in competition for state and federal funds, a loss of private revenue from individuals and corporations, and the need to do more with less.

The Native communities in the attached map and list (showing certified and emerging Native CDFIs) have had double digit unemployment rates and struggles with poverty long before the recent economic downturn. Many of these communities are concentrated in rural areas and have never had access to capital and financial services. When the recession hit the rest of the nation, the Native CDFIs serving these communities found greater competition for federal and state resources to promote economic development. Established Native CDFIs experienced a decline in the returns they were making on their investments. All Native CDFIs experienced a decline in support from corporate and individual contributors that had been supporting their work. Since Native CDFIs rely heavily on private donations to leverage any federal grants they may receive, this downturn in support from private contributors greatly diminished many Native CDFIs' loan pools. Additionally, Native CDFIs have found it necessary to make adjustments to support loan customers who are struggling. They have had to find ways to do more with less.

With less private money trickling into the economy, Native CDFIs are having difficulty securing adequate non-federal "match money" to leverage capital from the CDFI Fund. Fortunately, in the FY 2009 NACA funding round Congress recognized the difficulties being faced by Native CDFIs in securing matching non-federal funds for their NACA grants, and quickly responded by changing the grant match requirements. This action was incredibly important for Native CDFIs. It both protected the liquidity of established institutions, and it enabled new Native CDFIs to become certified and attract loan capital - money that has quickly been deployed to businesses and home buyers in very impoverished communities. Waiving the grant match requirement on NACA funds continues to be an important strategy that enables more Native CDFIs to serve more people and communities, as I'll note in my response to your final question.

In December 2009 the CDFI Fund announced that once again it had experienced a sharp increase in applications for its NACA program. CDFI Fund Director Donna Gambrell stated that the $23.7 million requested from Native CDFIs was the most funding ever requested in the history of the program. She additionally stated that the 61 NACA applications received by the CDFI Fund represented a 27 percent increase from the number of applications received in the FY 2009 application round that occurred before the Recovery Act. The amount requested represented a 30 percent increase over FY 2009. Director Gambrell also said that the NACA program is vital for reaching and helping our nation's most distressed Native communities, helping them start to move toward economic recovery and economic self-sufficiency. Oweesta, local Native CDFIs, and the leaders of the distressed Native communities that we serve could not agree more.

Questions 7: What could be done to help you serve more people and communities in your area, in the short term and the long term, including any legislative changes to the CDFI statute?

Several key improvements could be made to make the CDFI Fund programs even stronger in Native communities, including:

(1) ***Make the Native Initiatives program within the CDFI Fund permanent;***
(2) ***Provide funding to support the Native IDA Initiative;***
(3) ***Update the Native American Lending Study;***
(4) ***Make Native CDFIs preferred lenders for federal loan guarantee programs;***
(5) ***Support youth financial skills training; and***
(6) ***Focus on capacity building of certified Native CDFIs.***

Discussed below are five strategies that Oweesta believes would enable the CDFI Fund to serve more people in low-income and underserved communities throughout Indian Country.

1. Give the Native Initiatives permanent language in the CDFI Fund's authorizing statute – This year for the first time ever, in the President's budget the CDFI Fund's Native Initiatives was included as a specific line item and saw a 20 percent increase in funding available for Native CDFI development. The outlook in the President's 2011 budget is promising as well. It was only a few short years ago that the Native Initiatives was at risk of being removed from appropriations language altogether, threatening the momentum that was being developed on the ground. President should be commended for his support of the Native Initiatives, but in order to ensure future success, we would like to see the Native Initiatives be given a permanent place in the Fund's authorizing statute.

2. Provide funding to support the Native IDA Initiative – One program that realized amazing success in Indian Country was the CDFI Fund's Native Individual Development Account Initiative (NIDAI). During the four years it was in operation, the program successfully provided training and technical assistance to over 200 community leaders, who in turned developed nearly twenty Native IDA programs within their communities. Participants in local IDA programs can use their IDA funds to start or expand a business, buy a home, or obtain post secondary education. This program gave tribal members an otherwise non-existent source of equity to get off to a good start in life. Unfortunately the NIDAI program was halted in 2009 due to funding shortages. Because of its proven record of success, we would recommend that Congress appropriate funds to re-initiate the NIDAI program in Indian Country.

3. Update the Native American Lending Study – It has been ten years since the CDFI Fund conducted its groundbreaking Native American Lending Study. Much has happened since 1999. Congressional leaders, the CDFI Fund, Oweesta, and the many Native CDFIs throughout the United States would greatly benefit from having a current look at the issues impacting access to capital and financial services in Native communities.

4. Provide Training and Technical Assistance to Mature Certified Native CDFIs – It has been incredibly valuable for the CDFI Fund to focus on the start up of Native CDFIs, enabling these organizations to be built around "best practices" for CDFIs and achieve CDFI certification. However, now that there are 55 certified Native CDFIs, with 60 more in the pipeline, it is critical that Oweesta and the CDFI Fund develop a new strategy to provide training and technical assistance targeted at the needs of more mature, certified Native CDFIs. We must help these financial institutions build the whole host of skills needed to achieve their potential and ensure their long-term stability and sustainability.

5. Increase access to funding from other federal agencies and designate Native CDFIs, including CDFI loan funds and not solely CDFI banks, as preferred lenders for loan guarantees offered by all federal agencies – The CDFI Fund should hold interagency meetings with other federal programs, including the US Small Business Administration, US Department of Agriculture, US Department of Interior's Bureau of Indian Affairs, and US Department of Housing and Urban Development to identify ways to increase access to funding that would support Native CDFI services and lending. One outcome of these meetings that would be instrumental in helping Native CDFIs serve more people and communities would be for federal agencies to designate Native CDFI loan funds as "preferred lenders" for their current loan guarantee programs. Native CDFIs are doing what mainstream lenders perceive as "high-risk lending" in low-capacity communities, and they need to maintain and grow their lending capital. If these institutions could avail themselves of the current loan guarantee programs available in some federal agencies, it would help ensure their long-term success and sustainability.

6. Support youth financial literacy and entrepreneurship education – Unless we plant the seeds of financial education and entrepreneurship among youth, economic development progress will remain difficult. As youth become adults, they must serve as a catalyst for economic development that is driven by private business ownership. Young people who can think and operate as entrepreneurs are more likely to be responsive to new economic trends and opportunities. When youth know that they can generate jobs in their local communities, they are more likely to remain in these communities as adults. Native CDFIs that have been investing in youth have learned that educational efforts must begin at the very earliest grades and be integrated into already-existing classes. Youth can read about entrepreneurs and solve story problems focused on the "real" cost of items they purchase on credit. The CDFI Fund should work with other federal agencies to support this critical, forward-thinking work.

I would like to finish my response to this question by saying that this year Oweesta is celebrating ten years of investing in Native opportunity—and so is Four Bands Community Fund on the Cheyenne River Sioux Reservation in South Dakota. I am proud to be a part of both organizations and the larger network of other Native CDFIs that promote economic development in Native communities. The Native CDFI community cannot celebrate this milestone without recognizing the critical support we have received from the CDFI Fund—through both funding and expertise. We have been able to use the funds to leverage significant resources from other private and corporate donors and investors. We have taken the expertise we have acquired and deployed it in local Native communities.

Having recently served as the Executive Director of Four Bands Community Fund, Iwould like to share a story of the significant role that the CDFI Fund has played in allowing Four Bands to help families on the Cheyenne River Sioux Reservation to escape poverty. To date, Four Bands Community Fund has:

- trained nearly 2,000 people in personal financial skills and entrepreneurship, including many youth;
- distributed over $1,500,000 in micro, small business, and credit building loans;
- committed $230,000 in match savings for Individual Development Accounts;
- supported over 70 new and existing businesses resulting in the creation of 150 jobs;
- built or rehabilitated 30 storefronts;
- conducted a reservation-wide "buy local" campaign; and
- worked with the Cheyenne River Sioux tribal government to make policy improvements to support private business and personal financial skills development among tribal members.

Conclusion

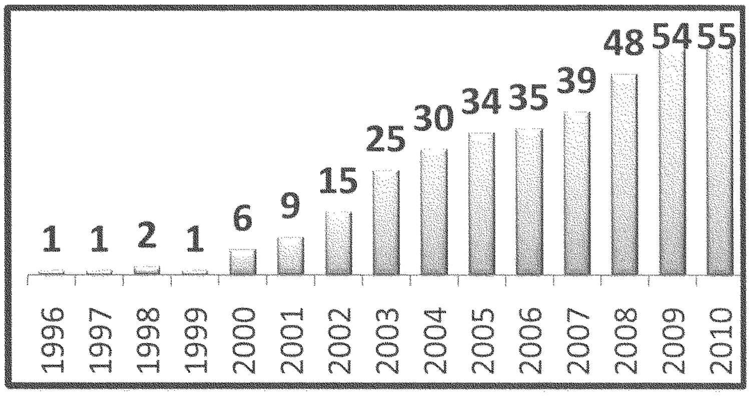
I will conclude my testimony by saying that Native communities have come a long way since the beginning of the CDFI Fund's Native Initiatives. Our tribal members have completed thousands of hours of training and are creating hundreds of jobs across Indian Country as first-time business owners. They are building wealth as first generation homeowners. As a result of financial education and credit building efforts, Tribal members are learning about credit, avoiding predatory and payday lenders, and taking measures to rebuild their credit histories. Native CDFIs are investing in tribal economies in a manner that empowers people and alleviates the hopelessness and despair that is much too common in our high poverty areas.

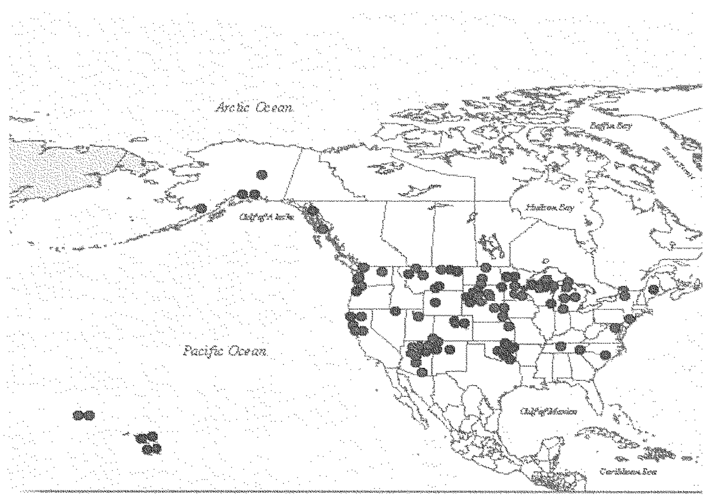
On behalf of our Native Communities and Oweesta,

Wopila Tanka – Our greatest thanks!

Tanya Fiddler
Vice President of Programs and Operations
First Nations Oweesta Corporation

Attachment: Growth of Native Community Development Financial Institutions





Note: red dots = certified Native CDFIs; blue dots = working to become certified

Names and Location of the 55 Certified Native CDFIs as of January 2010 According to CDFI Institution Type

Includes 41 Loan Funds, 7 Credit Unions, 5 Banks or Thrifts,
1 Depository Institution Holding, and 1 Institution Type Not Identified

Loan Fund (41)

Adair County Indian Credit Association
Stilwell, OK

Affiliated Tribes of Northwest Indians
Dallas, OR

Alaska Growth Capital BIDCO
Anchorage, AK

American Indian Economic Development
St. Paul, MN

Arizona Tribal CDFI
Phoenix, AZ

Cherokee Nation Economic Development
Tahlequah, OK

Chickasaw Nation Community Development
Ada, OK

Choctaw Home Finance Corporation
Hugo, OK

Citizen Potawatomi Community
Shawnee, OK

Community Development Financial
Sells, AZ

Cook Inlet Lending Center
Anchorage, AK

Council for Native Hawaiian Advancement
Honolulu, HI

First American Capital Corporation
West Allis, WI

First Nations Oweesta Corporation
Rapid City, SD

Four Bands Community Fund
Eagle Butte, SD

Four Directions Development Corporation
Orono, ME

Haa Yakaawu Financial Institution
Juneau, AK

Hoopa Development Fund
Hoopa, CA

Hopi Credit Association
Keams Canyon, AZ

Karuk Community Loan Fund
Happy Camp, CA

Keweenaw Bay Ojibwa Housing and Community Development Corporation
Baraga, MI

Lakota Fund
Kyle, SD

Lokahi Pacific
Wailuku, HI

Lower Brule Community Development
Lower Brule, SD

Lumbee Revitalization & Community
Pembroke , NC

Lummi Community Development Financial
Bellingham, WA

Mazaska Owecaso Otipi Financial
Pine Ridge, SD

Minnesota Chippewa Tribe Finance
Cass Lake

Montana Homeownership Network
Great Falls, MT

Native American Development Corporation
Billings, MT

Native Community Finance
Laguna, NM

Navajo Partnership for Housing
Gallup, NM

NiiJii Capital Partners
Keshena, WI

Northern Shores Loan Fund
Harbor Springs, MI

Rural Alaska Investment and Finance
Anchorage, AK

Salt River Financial Services Institution
Scottsdale, AZ

Sovereign Leasing & Financing
Ronan, MT

Sequoyah Fund
Cherokee, NC

White Earth Investment Initiative
Ogema, MN

Wind River Development Fund
Fort Washakie, WY

Yurok Alliance for Northern California
Crescent City, CA

Credit Union (7)

Choctaw Federal Credit Union
Choctaw, MS

First Hawaiian Homes Federal Credit Union
Hoolehua, HI

Kulia Ohana Federal Credit Union
Wailuku, HI

Lac Courte Oreilles Federal Credit Union
Hayward, WI

Molokai Community Federal Credit Union
Kaunakakai, HI

Sisseton Co-op Federal Credit Union
Sisseton, SD

Wolf Point Federal Credit Union
Wolf Point, MT

Bank or Thrift (5)

Bank of Cherokee County
Tahlequah, OK

Community Development Bank, FSB
Ogema, MN

First National Bank
Davis, OK

Fort Gibson State Bank
Fort Gibson, OK

Native American Bank, N.A.
Denver, CO

Depository Institution Holding (1)

Native American Bancorporation, Co.
Denver, CO

Institution Type Not Provided (1)

Osage Financial Resources
Pawhuska, OK

TANYA FIDDLER

PO Box 726, Eagle Butte, SD 57625
matonajinwin@hotmail.com

CAREER SUMMARY

I have over 12 years of professional experience working within nonprofit organizations. I served as the first loan and technical assistance officer for a newly incorporated Native CDFI and assumed the executive director position within a year. I built this organization from a start up organization to the recipient of First Nation Oweesta Corporation's 2008 Circle of Honor Award for demonstrating outstanding leadership as a Native CDFI. Four Bands now has approximately 16 active sources of financial support, provides loans and technical assistance to 100 small businesses, operates an individual development account program for youth and adults, and conducts a comprehensive youth entrepreneurship and financial literacy program. Our latest innovation is the development of a curriculum that allows teachers to integrate entrepreneurship and financial literacy into grades K-12. My solid background in nonprofit management and capacity building is reinforced by expertise gained through earlier staff positions including a housing specialist, community organizer, and project coordinator. I also have 5 years of experience working for private-sector businesses, including a Native-owned, certified Buy-Indian government reseller.

EDUCATION

Bachelor of Science, Interdisciplinary Sciences, South Dakota School of Mines & Technology (1994)

- Focus: Industrial Studies, including 6 hours of graduate level courses in Management Science
- Graduated with Cum Laude honors

AWARDS

- Bureau of Indian Affairs 2008 Entrepreneur Advocate of the Year
- Small Business Administration 2007 Minority Small Business Champion for South Dakota and Region VIII—area that includes Montana, Wyoming, Utah, Colorado, and North and South Dakota
- First Nations Oweesta Corporation 2007 Visionary Leader Award for Outstanding Achievement in the Community Development Financial Institution Field

PROFESSIONAL EXPERIENCE

FOUR BANDS COMMUNITY FUND, Eagle Butte, SD **September 2001 – present**
Executive Director: 2002 – present
Loan and Technical Assistance Officer: 2001 – 2002

- Do extensive relationship building with current and prospective funders. Organize and conduct regular funder briefings. Raised over $7.5 million since 2002 and expect to raise an additional $2 million by the end of 2010. Have received two appropriations from Senator Johnson.
- Prepare three-year budgets and manage the financial affairs of the organization in a manner that ensures successful annual audits and a full year of funding available before the year starts.
- Work closely with members of the board of directors and serve on the executive committee. Support regular board and staff development activities.
- Maintain current strategic plans and individual staff work plans and hold staff and myself accountable for measuring and reporting outcomes, meeting deadlines, and achieving the objectives and activities detailed in our strategic plan and grant proposals.
- Plan and develop future projects in alignment with organization's mission. Currently focused on a youth entrepreneurship and financial literacy initiative and a consumer credit building program.
- Performed loan and technical assistance officer duties in my former positions. Duties included assisting customers in completing loan applications, preparing loan documents, then providing extensive technical assistance.

OTI KAGA, Eagle Butte, SD **September 1997 – September 2001**
Housing Technician and Specialist

- Assisted applicants with loan packaging for USDA Rural Development programs
- Provided credit counseling, budgeting, and homeowner education
- Acted as a liaison and advocate to facilitate loan and grant closings
- Performed loan revolving loan funds
- Serviced loans using software and spreadsheet programs
- Ensured compliance with grants, tax credit regulations, and federal laws governing housing

TETON COALITION, Rapid City, SD **October 2000 – September 2002**
Community Organizer and Project Coordinator

- Did community organizing for credit education reform
- Taught and promoted personal financial management and consumer credit using the Credit When Credit Is Due curriculum
- Created collaborative initiatives with other community leaders to promote program objectives

NATIVE AMERICAN COMPUTERS, Rapid City, SD **October 1995 – June 1996**
Computer Account Sales and Purchasing Representative

- Established and maintained computer division databases and procedures
- Complied with government contracting policy and procedures
- Developed computer application formats for interoffice use and efficiency
- Provided customer service to vendors and sales representatives
- Responded to customer inquiries for pricing and product specifications
- Prepared written and oral bids

MAGNETIC PERIPHERALS, Rapid City, SD **June 1983 – March 1987**
Production Operator

- Performed a range of production-related tasks

OTHER PROFESSIONAL DEVELOPMENT

Speaker: Am a frequent speaker and workshop facilitator at regional and national conferences on issues related to small business development, IDA programs, and nonprofit leadership.

Networker: Have developed a strong network of experts in the CDFI field through regular attendance at state, regional, and national housing, community and economic development, and CDFI conferences.

Training and Certifications: Completed the National Development Council for Economic Development's Financial Professional Certification program in 2008. Also have certifications from training completed in homebuyer education, credit counseling, self-directed teams, grant writing, and loan packaging.

COMMUNITY LEADERSHIP

- Co-chair, Native CDFI Network
- Co-founder and current board member, South Dakota Indian Business Alliance
- Current board member, South Dakota Rural Enterprise
- Current board president, Tribal Ventures, an enterprise of the Cheyenne River Sioux Tribe
- Co-founder and past board member, Cheyenne River Chamber of Commerce
- Past board member, Association for Enterprise Opportunity
- Past board member, Okiciyapi Tipi-Habitat for Humanity

Enrolled Member of Cheyenne River Sioux Tribe (Enrollment #CRU-13121)
References available upon request

First Nations Oweesta Corporation
Grant Revenue
July 1, 2008 - June 30, 2009

Date	CFDA No.	Description	Total Award
Federal Grants Unrestricted - 41010			
12/31/2009	21.020	CDFI Fund:NACA 2006 - $500,000 FA / $122,000 TA	122,000.00
12/31/2009	21.020	CDFI Fund:NACA 2007 - Technical Assistance	149,912.00
12/31/2009	21.020	CDFI Fund:NACA 2008 - $490,000 Lending / $147,000 TA	637,000.00
12/31/2009	*no #, see att*	Enterprise Foundation - 2008: $100,000 (2 Yr)	101,376.00
12/31/2009		CDFI Fund:NACA 2009 - $730,000 Operationsg / $143,000 TA	873,000.00
Total - Federal Grants - Unresticted			1,883,288.00
Federal Grants Temp Restricted - 41030			
12/31/2009	21.020	Abt Associates, Inc. - CDFI Research Grant	60,000.00
12/31/2009	21.020	CDFI Fund:NACA 2006 - $500,000 FA / $122,000 TA	500,000.00
12/31/2009	16.595	Department of Justice - CCDO - OJP 2008: $100,000	100,000.00
12/31/2009	16.595	Department of Justice - CCDO/NAHRO - Weed & Seed 2008: $40,000	40,000.00
12/31/2009	84.215B	National Council on Economic Education	25,000.00
12/31/2009	*21.003*	*IRS - VITA Grant Program*	*33,000.00*
Total - Federal Grants - Temp Restricted			758,000.00
Total - Grant Revenue - Federal			**2,641,288.00**
Federal Contracts - 5XXXX			
2006 - 2008	Contracts	BPA (subcontract through OFN)	1,300,000.00
2009	NAIHC Pathways	Prime Contractor	145,929.00
2009	Contracts	BPA - Prime contractor	1,146,646.00
2010	Contracts	BPA - Prime contractor (Base Period - Year 1)	1,008,116.00
			3,600,691.00

Community Development Financial Institutions: Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities

House Financial Services Committee
March 9, 2010 – 2:00 p.m.

Written Testimony for CDFI Fund Director Donna J. Gambrell

Introduction

Good afternoon Chairman Frank, Ranking Member Bachus, and the distinguished Members of the House Financial Services Committee. My name is Donna J. Gambrell, and I am the Director of the U.S. Department of the Treasury's Community Development Financial Institutions Fund—known as the CDFI Fund. I am truly honored to be here today to speak before you about the CDFI Fund and our role in helping to promote economic recovery in these challenging times.

Since its founding in 1994, the CDFI Fund has been committed to creating opportunity in disadvantaged communities. But in the past year there has been a growing recognition that the work of the CDFI Fund—and of the more than 800 certified CDFIs across the nation—is more important than ever. The financial crisis has only magnified the daunting challenges that low-income communities have long faced, and the CDFI Fund has been called upon to expand its work and to play a larger role in promoting economic recovery in communities that have been hardest hit by the recession.

I am pleased to report that the CDFI Fund has served with distinction in answering that call. In my testimony today I will outline the many ways in which, since the beginning of the recession, the CDFI Fund has worked to build small businesses and to create jobs in low-income communities, to develop affordable housing, and to expand the capacity of community-based social service organizations, such as community healthcare centers. I will also look at some of new proposed initiatives we hope to undertake in the coming year to ensure that the recovery that is now under way will be shared by all.

Above all, I would like to assure the Members of this Committee that the CDFI Fund is more than prepared to continue answering the call. We are uniquely positioned to serve low-income and economically distressed communities. We have welcomed every new responsibility with which we have been entrusted in the past year, and we will welcome every new responsibility going forward. Just last week I spoke before the Congressional Black Caucus, which includes 10 Members of this Committee, to share with them the same important message: The CDFI Fund stands ready to play an even greater role in bringing economic opportunity to those who need it most.

The Work of the CDFI Fund

I would like to begin by providing a brief overview of the origins and the work of the CDFI Fund.

In the early 1990s, Congress recognized that many of the critical social problems facing our nation's distressed urban, rural, and Native American communities were caused in part by a host of crippling economic problems—stagnant economic growth, widespread unemployment and deep poverty, inadequate financial access and education, and the lack of economic opportunity. To address these issues, Congress in 1994 enacted the Riegle Community Development and Regulatory Improvement Act (P.L. 103-325), which included a provision that established the CDFI Fund.

The mission of the CDFI Fund is to promote economic revitalization and community development through an investment and assistance program for Community Development Financial Institutions (CDFIs). CDFIs are community-based financial institutions that specialize in serving low-income people and economically distressed communities. There are four main types:

- **Community development banks** are for-profit corporations that provide capital to rebuild economically distressed communities through targeted lending and investment. Of CDFI banks, 54 percent are defined by the FDIC as Minority Depository Institutions, indicating that these banks are minority-owned or are focused on serving the needs of a minority community;

- **Community development credit unions** are member-owned non-profit cooperatives that promote ownership of assets and savings, and provide affordable credit and retail financial services to low-income people;

- **Community development loan funds** (usually non-profits) provide financing and development services to businesses, organizations, and individuals in low-income urban and rural areas, and can be further categorized based on the type of client served: micro-enterprise, small business, housing, and community service organizations; and

- **Community development venture capital funds** include both for-profit and non-profit organizations that provide equity and debt-with-equity features for businesses in distressed communities.

CDFIs typically offer loan rates and terms that are more flexible than those offered by traditional financial institutions. They also provide financial services—such as technical assistance for small businesses, and home buying and credit counseling for consumers—that help to ensure that borrowers use credit effectively.

The CDFI Fund currently seeks to build the capacity of CDFIs through a number of programs, including:

- **CDFI Financial and Technical Assistance** - Provides capital grants to certified CDFIs, which in turn provide loans, investments, financial services (including financial education) and technical assistance to underserved populations and low-income communities; also provides technical assistance grants to certified CDFIs and entities that will become certified as CDFIs within three years.
- **Native Initiatives** - Provides financial assistance awards, technical assistance grants, and training to CDFIs created specifically to serve Native Communities and to other Native entities proposing to become or create Native CDFIs.
- **Bank Enterprise Award** - Provides monetary awards to FDIC-insured banks to increase their investment in low-income communities and/or in CDFIs. The CDFI Fund is proposing not to fund the BEA in FY 2011. Instead, the CDFI Fund will evaluate the enhancements made to the BEA in FY 2009 and FY 2010 and apply this analysis to future funding decisions.
- **New Markets Tax Credit** - Provides tax allocation authority to certified Community Development Entities (CDEs), enabling investors to claim tax credits against their federal income taxes; the CDEs in turn use the capital raised to make investments in low-income communities.
- **Capital Magnet Fund** - Authorized under the Housing and Economic Recovery Act of 2008, the Capital Magnet Fund provides a source of funding for CDFIs and other non-profits to finance the development, rehabilitation, and purchase of affordable housing for low-income persons. The CDFI Fund is proposing not to fund the CMF in FY 2011. Treasury will undertake a careful review of the impact of FY 2010 funding, and future resource decisions will be informed by this review.

Since its creation in 1994, the CDFI Fund has made more than $1.1 billion in awards to CDFIs. As of December 18, 2009, there were 824 certified CDFIs. During FY 2009, 55 new CDFIs were certified, 14 more than were certified in the prior year. This increase in the number of certified CDFIs will no doubt increase the number of applications in future funding years.

The CDFI Fund's Expanded Role in the Economic Recovery

In the current environment there is a renewed discussion of the importance of community development finance and its role in promoting economic recovery. The result of this discussion is that CDFIs have been asked to play a critical role in helping to revitalize the nation's economy. Indeed, President Obama views the CDFI industry as a key part of his strategy to address the financial crisis, and Congress and the Administration have taken major steps to expand the CDFI Fund's mission and impact.

The first of these steps was the passage of the American Recovery and Reinvestment Act on February 17, 2009. The Recovery Act provided the CDFI Fund extra funding—$100 million beyond our annual appropriation for fiscal year (FY) 2009—to enhance the lending capacity of CDFIs. The new legislation also contained an additional $3 billion of New Markets Tax Credit allocation authority. In addition, the Administration supported strong levels of funding for the CDFI Fund in FY 2010.

We at the CDFI Fund have been mindful of the tremendous responsibility that we have been given in the midst of the financial crisis, and we have worked tirelessly to ensure that we implement the Administration's agenda as quickly and effectively as possible. Our key accomplishments in 2009 include:

- **Rapid disbursement of Recovery Act resources** – Less than 100 days after the enactment of the Recovery Act, the CDFI Fund announced financial assistance awards through the Recovery Act to 59 CDFIs and to 10 Native CDFIs. Just two months later—in record time—we disbursed all $98 million available for grants from the Recovery Act to these CDFIs.

  In addition to disbursing the Recovery Act awards, we made 193 financial and technical assistance awards totaling $160.8 million (compared to 118 awards totaling $62.4 million in FY 2008) through our CDFI and Native American CDFI Assistance (NACA) programs. We also solicited and reviewed over 200 additional applications through supplemental NACA and CDFI financial and technical assistance award rounds in FY 2009.

- **Creation of a new Advisory Board Subcommittee** – As the financial crisis deepened in late 2008, Bill Bynum, the Chairman of the Community Development Advisory Board and CEO of the Enterprise Corporation of the Delta, and I agreed to form a new Advisory Board Subcommittee to assess the impact of the crisis on the institutions that the CDFI Fund supports and to offer policy recommendations to increase that support. The Subcommittee presented its recommendations in March 2009, and the CDFI Fund has made significant progress in implementing those recommendations. For example, in July 2009 we created a new Office of Training and Outreach that focuses on expanding training and outreach by coordinating activities with government and non-governmental organizations interested in improving conditions in low-income communities.

- **Enhancement of key business processes** – In 2009, we made several administrative changes designed to enable us to get funds more quickly than ever to the communities that need them. We now make decisions on all new applications for CDFI and CDE certification within 90 days after we receive them. We send out assistance agreements on the same day we make award announcements. And on average we now disburse awards—a process which used to take over 12 months—in 60 days.

- **Launch of a new Capacity-Building Initiative** – This new initiative seeks to ensure the growth and sustainability of CDFIs by providing expanded technical assistance and training opportunities. Among its key components:

- **Assistance for specialized CDFIs** - Enables CDFIs to grow their capacity to address complex problems in their specialized markets, and helps to establish new CDFIs in markets where financial institutions have not historically existed.
- **Affordable housing lending** – Provides assistance to CDFIs in identifying the best strategies for restructuring troubled loans, as well as developing new lines of business.
- **Small business lending** – Helps CDFIs that make small business loans—and that may be seeing their clients struggle or even disappear—develop adequate resources and new lines of business.
- **CDFI business process** - Provides technical assistance to enable CDFIs to manage their portfolios, to minimize risk, to address liquidity and capitalization issues, and to expand into new markets.

• **Launch of a new Community Development Capital Initiative** – This new initiative gives certified CDFI banks, thrifts, and credit unions access to capital investments under the Emergency Economic Stabilization Act at a dividend rate of two percent for the first eight years and nine percent thereafter. This new initiative will offer affordable capital to CDFIs across the country, which will help expand the offering of credit to small businesses seeking to expand and to create jobs.

The Impact of CDFIs

The financial crisis has presented extraordinary challenges to our nation's distressed communities. The entire nation is living and working in a new and uncertain environment.

The CDFI Fund and the CDFI industry have chosen to accept this new environment as it is—as something not simply to endure but to face head on, to understand, and to navigate as skillfully and effectively as possible. I do not want to minimize the challenges confronting the CDFI industry in the wake of the economic downturn, but I most certainly believe that there is another side to the story, a very positive side. Indeed, I can assure you that, despite the very real challenges it presents, the new economic environment has offered very real opportunities for CDFIs to expand their impact in the communities they serve.

I am pleased to report that the CDFI industry has made exceptional progress in realizing those opportunities. Consider the accomplishments of CDFI Fund awardees reported in 2009:

Performance of CDFI Awardees During 2008	
1. Number of Full Time Jobs Created or Maintained (77)*	70,260
2. Number of Small Businesses Financed (104)*	10,792
3. Number of Commercial Real Estate Properties Financed (55)*	1,676
4. Number of Affordable Housing Units Financed (22)*	2,133
5. Number of Homebuyers Who Obtain Financing (50)*	1,998
6. Number of Accounts Opened to the Unbanked (11)*	4,235

7. Dollars, in millions, Leveraged with Private Investments*	$1,298
8. Number of Individuals Provided with Financial Literacy and Other Training (126)*	159,546
9. Individual Development Accounts (IDAs) Provided by CDFIs (53)*	6,478
10. Dollar amount, in millions, of IDAs (54)*	$5.86

* Numbers in parentheses are the number of CDFI Program awardees reporting on this particular measure.

Our industry's performance in 2008 speaks volumes about its resilience, commitment, and creativity. At the same time, however, I would like to encourage everyone who reviews our record to look beyond the statistics, for there is much more to the story than numbers alone. Each business financed, each job created, each home purchased, each Individual Development Account opened represents a critical step in the transformation of a life, a family, and a community.

After all, that's what our work is really about. It's not just about creating programs and providing services; these are just the means to a greater end. It's about changing lives and building stronger, more productive communities. And that's why we keep working every day to do what we do even better.

CDFIs as Innovators

But CDFIs are not only focused on transforming lives and communities. They are also helping to transform the financial services industry by creating innovative financing tools to serve the unique needs of their clients. Let me give you just a few examples of the CDFI industry's capacity for innovation.

The Montana Community Development Corporation (MCDC), a CDFI based in Missoula, is known for working on complex, multi-partner deals with "triple bottom line" impact. In one such deal, MCDC was the coordinator of a loan to a 100-year old dairy. The loan financed a $1.2 million methane digester that has enabled the dairy to recycle 100 percent of its waste into fertilizer, and has turned the dairy into an environmental leader. Eventually the dairy plans to sell Carbon Credits. MCDC led the project with its own financing as well as funds from two economic development groups, two banks, and four federal grant programs. Montana Senator Jon Tester recently recognized this effort as one of the leading triple bottom line economic development projects in the state.

The Reinvestment Fund (TRF) is another CDFI exploring ways to promote "green" values. The Philadelphia-based organization partnered with The Food Trust, a nonprofit dedicated to making healthy food available to all, to develop and implement a sustainable energy model for supermarkets in underserved communities in Philadelphia. The initiative recently completed a small grocery store demonstration project with energy audits and a revenue tracking system, and is now working with TRF's supermarket financing program to identify sites for large, neighborhood green supermarkets. As result of this initiative, TRF is able to help new and existing supermarkets identify and evaluate energy efficiency measures, such as high-efficiency lighting and refrigeration equipment, which can translate into savings.

One more example: the New Hampshire Community Loan Fund, in Concord, NH, was founded in 1984 to use capital and technical assistance to help people change their lives. The organization made its first loan to thirteen families facing eviction from their manufactured housing park when the park's owner decided to sell the property to condominium developers. The loan enabled the families to buy the park and manage it as a cooperative. It also launched the Community Loan Fund's Manufactured Housing Park Program, which, since 1984, has helped more than 5,000 families and individuals from 93 manufactured housing parks throughout New Hampshire to buy the land beneath their homes and convert their parks to cooperative ownership. The program offers an outstanding example of what can happen when a CDFI keeps its eyes open and works hard to develop innovative solutions to the problems in the communities it serves.

These are just three examples of the quality of innovation to be found at CDFIs. While these three organizations may seem exceptional, I can assure you that they are anything but rare. Our industry is filled with innovators who are dedicated to developing uncommon solutions to pressing economic problems. And I believe that this spirit of innovation can help to bring about an economic recovery that is strong and stable and shared by all Americans.

Moving Forward Together

As we celebrate the 15th anniversary of the creation of the CDFI Fund, this is an opportune time not just to reflect on what the CDFI Fund has accomplished but also to look forward to envision the next steps we can take to create opportunity in our nation's most distressed communities.

We have recently released a request for public comments and plan to take a holistic review of our entire authorizing statute, looking not only at technical and substantive revisions to existing provisions, but also at provisions that have not yet been exercised. As an important part of this process we will also hold listening sessions with CDFIs across the country to discuss the community economic development challenges they face and to get insight firsthand from the communities they serve. The information we gather from the public comments and listening sessions will no doubt guide us as we develop plans for the CDFI Fund's future.

But some of our next steps are already clear. The President's FY 2011 Budget builds on the CDFI Fund's recent momentum by requesting $250 million in funding, including resources for two new exciting initiatives in which the CDFI Fund will play a key role. The first of these is the Bank on USA initiative that will help expand access to mainstream financial services to help families avoid predatory lending traps and high fees for check-cashing and other alternative financial services. The initiative will promote broader access to bank accounts, basic credit products, and other financial services to help these families build savings and solid credit histories. The FY 2011 Budget proposes $50 million to establish for the Bank on USA initiative.

The President's FY 2011 Budget also provides funding for a second new initiative—the Healthy Food Financing Initiative, which is a new multi-year, multi-agency effort to increase the availability of affordable, healthy foods in underserved urban and rural communities. Forming a pillar of First Lady Michelle Obama's *Let's Move!* campaign to solve the epidemic of childhood obesity within a generation, the initiative will emphasize the development or equipping of grocery stores and other healthy food retailers. The USDA, HHS, and Treasury will provide funding to organizations with sound strategies for providing healthy foods to underserved markets. The initiative includes $250 million in New Markets Tax Credit investment authority, $25 million in grants to CDFIs, and technical assistance to help finance businesses dedicated to achieving the goals of the initiative.

The budget also includes an extension of New Markets Tax Credit and important enhancements to the credit. The NMTC attracts investments by allowing investors to claim a 39 percent credit against their federal income taxes in return for making equity investments in Treasury certified Community Development Entities (CDEs), which in turn invest in businesses and real estate projects that serve distressed communities. The FY 2011 Budget requests $5 billion in NMTC authority in both 2010 and 2011 and is also proposes that the NMTC be used to offset not only investors' regular federal income taxes but also the taxes they owe under the Alternative Minimum Tax (AMT), and that AMT relief should apply to all NMTC investments that have yet to be made, whether from prior allocation rounds or from the 2010 and future rounds.

Applying AMT relief to all future NMTC investments will attract new private investors that will help strengthen the current market for NMTC credits that have already been allocated, and would establish a clear and consistent policy that would eliminate confusion among investors. If enacted, this proposal would enable the NMTC to speed recovery in the hardest hit communities by greatly increasing its ability to attract private investors.

These are just three steps that we hope to begin in 2010. We must also continue our strong commitment to help CDFIs expand the critical work they do supporting recovery in distressed communities across the country.

Not long ago I was in a meeting with Representative Danny Davis and he said to me, "My District is an island of need looking for a sea of opportunity." There are many islands of need out there today, many looking for a sea of opportunity that in the past year has become more difficult than ever to find.

But I believe that there is real hope for these communities. There is real hope because CDFIs and the CDFI Fund are committed to ensuring that economic development and job growth reach the communities that need them most. In 2010 and beyond, we will continue building partnerships with other government and non-governmental organizations that are dedicated to strengthening low-income communities. And we will do our very best to bring economic opportunity to each and every island of need in the nation.

On behalf of the CDFI Fund, I would like to express our gratitude for the support of Congress and the Financial Services Committee. We look forward to continuing to work with you in the future.

Statement

of

Judith A. Kennedy

On Behalf of the National Association of Affordable Housing Lenders on Community Development Financial Institutions

House Committee on Financial Services
U.S. House of Representatives

March 9, 2010

CELEBRATING 30 YEARS OF SUCCESSFUL COMMUNITY INVESTMENT

INTRODUCTION
My name is Judith A. Kennedy and I am the President and CEO of the National Association of Affordable Housing Lenders.

NAAHL represents America's leaders in moving hundreds of billions in private capital to those in need: 100 organizations committed to increasing lending and investing private capital in low and moderate income (LMI) communities. This "who's who" of private sector lenders and investors includes major banks, blue-chip non-profit lenders, CDFIs, and others in the vanguard of affordable housing.

NAAHL's mission is to increase responsible, private capital lending and investing in low (under 50% of area median) and moderate (under 80%) income persons and areas. Seventy percent of NAAHL's nonprofit lender members are CDFIs, and the rest are high-performing, mission-driven organizations.

MAIN STREET LOAN DEMAND HAS INCREASED
The many financial "rescues" of the past 18 months have eclipsed the strong performance and potential benefit that nonprofit affordable housing lenders can play in the nation's economic recovery. The bottom line is that experienced, mission-driven nonprofit lenders, serving areas as diverse as Massachusetts, New York, Alabama, California, Illinois, and the Carolinas, are the victims of their own success. They have few troubled assets and most have never had a loss on a loan. Recognizing these nonprofits' important mission and stellar track records, throughout the crisis bank investors have honored their traditional commitments to these loan funds. This private capital has enabled nonprofit lenders to continue to finance the preservation and construction of affordable rental homes, providing jobs for Main Street, small businesses and residents of underserved areas across the country. But loan demand exceeds their supply of capital.

Successful nonprofit lenders are ready and willing to fill the current financing gap, **but are struggling to find needed capital and liquidity to meet the increased loan demand they face, both in urban and rural underserved markets.** Like other financial companies, non-profit lenders rely on the availability of credit to lend on Main Street, so the seizing up of the credit markets has hindered local lenders from doing more to help mitigate the crisis.

CDFIs and other mission-driven nonprofit members stand ready and willing to finance at least twice as many "shovel ready" construction projects this year, but are impeded by constraints on their liquidity and capital, the bank regulators' concerns about exposure to commercial real estate, and nonprofits' inability to access Federal financing. Barriers to lending include the following:

- Non-bank lenders are not eligible for TARP, TALF, the two percent Capital Initiative for CDFI banks, or any other emergency assistance.

- GSEs continue to be AWOL in financing small multifamily landlords on Main Street.

- The 2003 CDFI regulations significantly reduced housing lenders' access to the Fund, and required applicants to focus on Federal priorities instead of their communities.
- Regulatory incentives for supporting Main Street financing and job creation remain in limbo.

As Chairman Frank and Reps. Waters, Gutierrez, Maloney and Watt of this committee noted in a letter last October to Treasury Secretary Geithner: "*Each year, more than 500 nonprofit Treasury-certified CDFI loan funds support thousands of jobs, affordable housing units and community facilities in the nation's most distressed communities, and leverage additional capital by participating on loans with regulated lenders, and filling critical capital gaps.*"

In addition, there are also successful, mission-driven nonprofit loan funds (such as those in the Carolinas and Alabama) that do not meet the current CDFI definition, but are also safely leveraging private capital to meet their states' affordable housing and community economic development needs, producing thousands of jobs and revitalizing neighborhoods across the nation.

BUILD ON WHAT WORKS: LOCAL AND STATE LOAN FUNDS

The partnership between blue-chip nonprofits and responsible for-profits has evolved and matured over the past 30 years. For-profit and nonprofit lenders and investors, developers, community leaders, and government at all levels, have all learned to collaborate as partners in devising new solutions and creative strategies for financing affordable rental housing that people are proud to call home in thousands of communities across the United States. These homes are of high quality and lasting value, and remain affordable over the long run (see attached pictures). Examples of successful nonprofit lenders that aggregate private capital to finance affordable housing and community economic development include the following:

- In New York, the **Community Preservation Corporation (CPC)** has financed the preservation and development of more than **145,000** affordable apartments since 1974, representing public and private investments of nearly **$8 billion**.
- Over 15 years, the **Massachusetts Housing Investment Corporation (MHIC)** has financed over **11,000** affordable apartments, representing **$1 billion** in mortgages.
- The **Community Investment Corporation (CIC)** of Chicago has financed the rehabilitation of **41,000** affordable apartments since 1984, representing more than **$1 billion** in mortgages.
- Over the past decade, the **Alabama Multifamily Loan Consortium (AMLC)** has financed over **4,000** affordable apartments across the state, all at or below 50 percent of median income, representing more than **$80 million** in mortgages.

- Over the past two decades, the **California Community Reinvestment Corporation (CCRC)** has financed **26,000** apartments available to residents who earn 60 percent or less of area median income (AMI), representing approximately **$1 billion** in affordable housing loans.

- The **Community Investment Corporation of the Carolinas (CICCAR)** which began accepting applications in 1991, has financed **8,800** low income apartments for 189 affordable housing developments, representing $**158 million** in affordable housing loans. Those developments are located throughout the Carolinas, financing mostly housing with allocations of Low Income Housing Tax Credits (LIHTCs), and all were new construction or substantially rehabilitated multifamily, senior, or special needs housing developments.

- Over 20 years, the **Network for Oregon Affordable Housing (NOAH)** has financed the creation or preservation of over **6,500** low income housing apartments all over Oregon, representing LMI loans totaling over **$170 million**, half of those loans are in hard to serve rural communities.

- Over nearly 20 years, the **Hawaii Community Reinvestment Corporation (HCRC)** has financed more than **3,000** low income apartments in 63 affordable housing rental developments, representing over **$190 million** in affordable housing loans.

- The **Georgia Affordable Housing Corporation (GAHC)** has financed **1,056** apartments in 12 affordable multifamily rental developments, representing **$19 million** in mortgages.

What impact could each of these lenders make if they had the means to finance just 100 more affordable apartments in 2010? Reliable estimates are very encouraging.

The National Association of Home Builders (NAHB) has estimated the one-year impacts of building 100 rental apartments in a typical metro area:
- $7.9 million in local income
- $827,000 in taxes and other revenue for local governments
- 122 local jobs

NAHB also estimated the annually recurring impacts of building 100 rental apartments:
- $2.3 million in local income
- $395,000 in taxes and other revenue for local governments
- 32 local jobs

NAAHL's 25 nonprofit lenders finance thousands of affordable multifamily rental apartments per year. Based on the NAHB multiplier, if each lender financed 100 apartments more, the one-year impacts of these activities could be:
- $198 million in local income
- $21 million in taxes and other revenue for local governments
- 3,050 local jobs

Based on the NAHB multiplier, if each lender financed 100 apartments more, the annual impacts of these activities could be:

- $58 million in local income
- $10 million in taxes and other revenue for local governments
- 800 local jobs

INCREASE CAPITAL ACCESS
Unfortunately, Fannie Mae and Freddie Mac continue to be AWOL from Main Street financing. Only in New York, where a state insurance agency (SONYMA) insures the top 20 percent loss on qualifying multifamily mortgages, have GSEs purchased Main Street loans. Top loss insurance is generally unavailable in the other states.

What has been your general impression of the usefulness of the Community Development Financial Institutions (CDFI) Fund?

CDFI FUND RULES NEED UPDATING
The CDFI Fund initially was an effective means of funneling Federal investment into local markets, through loan fund intermediaries familiar with the local markets that could also put their own capital into the often-small projects localities need. These intermediaries also could deploy the investment with acceptably low overhead, and relative speed. Other Federal programs – HUD, in particular – have had enormous paperwork requirements, reporting requirements, and overhead generally (not to mention inflexibility) that impede their penetration into these local markets, and the usually-small projects in them.

- But, today the definition of a CDFI is too narrow, excluding many mission-driven nonprofit organizations across the country that are doing great community and economic development work.

- NAAHL members believe that the Fund's awards favor organizations with the simplest structures and plans, that don't leverage public subsidy with private capital. Such leveraging is crucial to successful multifamily affordable rental housing projects and community economic development initiatives which often require multiple layers of financing. More flexibility in the Fund's matching requirements would also facilitate a much larger impact on underserved communities.

- **The 2003 revision of the rules governing the Fund were too restrictive, making it difficult or impossible for many high-performing, larger CDFIs and other mission-driven nonprofit lenders to apply for Fund grants.** Many of these lenders, like other lenders, have been hard-hit by the financial crisis, and face severe liquidity challenges that are restricting their ability to provide additional financing for multifamily affordable rental housing in underserved communities. The mission of the Fund is to help entities that serve such communities, and these lenders have strong track records. By excluding many of the nation's leading nonprofit lenders from its program, the Fund limits its reach and effectiveness.

1. The targeting of awards to CDFI Fund-designated "Hot Zones" eliminated significant markets, including the rural or non-metro counties of many states, and low-income and low-wealth people living outside areas with concentrated poverty.

2. The targeting of "CDFI Partners" eliminated many community development entities with demonstrated capacity in building sustainable communities. These new restrictions include retroactive tests, enormous prospective commitments, and funding priorities **for what the CDFI Fund thinks is needed**, rather than what the local market needs. Institutions and organizations serving distressed communities should have an equal opportunity to participate in the program.

3. The "growth continuum strategy" of making awards "to support CDFIs to the point where they can be self-sustaining" is inconsistent with the statutory limitations of the NMTC. The NMTC is a shallow subsidy and was not intended to address housing needs and is not a substitute tool for housing providers.

The results were predictable and unfortunate. The new rules excluded many previously eligible areas, made it harder to obtain funds even in eligible areas and especially in rural communities, and impeded funding for mid- and large-size CDFIs and their communities. **All of this appears contrary to what Congress envisioned when it enacted these programs to allow distressed communities to meet local needs through innovative community development finance.**

What specific economic or neighborhood impact can you point to that has resulted from CDFI Fund investment?

CDFI Fund investment played an important role before 2003 in helping our members leverage private capital for specific projects, underscoring the need to revise the Fund's rules to restore eligibility for meeting local area needs, make the definition of a CDFI more encompassing, and simplify certification requirements.

Here are just two examples of successful projects:

CDFI FUNDS USED TO LEVERAGE PRIVATE CAPITAL
Community Preservation Corporation (CPC)
CPC received $5 million in CDFI grants for neighborhoods in the Bronx, Newburgh, Syracuse, Albany and Rochester. The $5 million awarded to CPC was deployed in projects totaling 907 units and $35.7 million in total investment. This leverage ratio – $7 in total investment for each $1 of CDFI Fund grant – demonstrates the catalytic impact of Federal grants channeled through local intermediaries that themselves can provide additional investment.

CPC was able to use its $5 million in grants from the CDFI Fund to supply shallow subsidy (grants or low-interest loans), in markets in which the local government had neither subsidy nor programs to deliver it. CPC coupled Fund dollars with CPC's own mortgage investment, thereby replicating public-private financing models that had been successful in New York City.

Network for Oregon Affordable Housing (NOAH)
NOAH has received two CDFI funding awards for a total of $2.4 million: $1.52 million in grants, $879,000 in long term loans. While small, the CDFI awards to date have proven invaluable, allowing NOAH to leverage private capital and accept greater risk for higher impact.

NOAH is a multi-bank CDFI and it existing $119 million credit line with member banks is fully deployed, and it is currently unable to issue new commitments. Loan demand is high, but viable and important projects are unable to secure private loan capital from NOAH or other lenders. NOAH has historically funded up to 75 percent of the 9 percent LIHTC projects in Oregon; if NOAH is out of the market, a huge gap exists. With a few notable exceptions, member banks have not been willing to provide additional loan capital to NOAH.

How has the economic downturn affected your entity's activities?

LOAN DEMAND EXCEEDS LENDERS' SUPPLY
Nonprofit lenders could finance at least twice as many "shovel ready" affordable housing projects nationwide, if they could just sell their existing loans, or if they could obtain low cost capital from the Treasury. **A recent survey of our nonprofit lender members found that they currently hold more than $1.5 billion of seasoned multifamily loans.**

With millions of single family homes expected to go into foreclosure over the next few years, an ample supply of affordable multifamily rental housing is more crucial than ever. The severe liquidity and capital constraints faced by our nation's leading nonprofit lenders threaten that supply.

Like other financial companies, non-profit lenders depend on the availability of credit to finance housing, so the seizing up of the credit markets has hindered their ability to help mitigate the crisis and finance additional affordable housing. Bank investors are honoring existing commitments, but for the most part not increasing them. Banks are constrained from lending and investing in these mission-driven organizations that could do so much more if adequately capitalized. The nonprofit lenders are also finding it hard to sell loans back into the market so they do more lending.

What could be done to help serve more people and communities in your area, in the short term and long term, including any legislative changes to the CDFI statute?

CDFI FUND RULES SHOULD BOLSTER LEVERAGING BY LENDERS

- The rules need to be updated to recognize the importance of leveraging, and eliminate any impediment for funding for mid-to large-sized CDFIs. It's worth noting that private capital leverages public subsidy for affordable rental housing as much as 10-25 times.

- Application decisions should reflect a loan fund's track record in Main Street lending. One of our California members, a certified CDFI, whose investors have never lost a dime on its low income rental housing loans and bonds, described how they applied for, and were rejected by, the CDFI Fund: "It was the first time since our certification that we applied. We asked for $2 million to credit enhance a pool of seasoned multifamily loans. The market had shut down, we couldn't sell loans, we were running out of money ...100 percent of our loans are to low and very low income people ... We could have leveraged that grant quite well."

- CDFI applications are considered an art, not a science, with the result that consultants charge up to $30,000 to complete the forms. Unsuccessful applicants often complain that the Fund gives less consideration to a CDFI's actual track record than to the applicant's narrative. Substantive measures of success could reduce the perceived bias in funding decisions.

- The Fund could be a catalyst for affordable rental housing development in smaller markets by offering access to larger levels of loan capital (bonds, direct debt to the CDFI, grants), or by offering credit enhancement products that would provide access to additional capital markets.

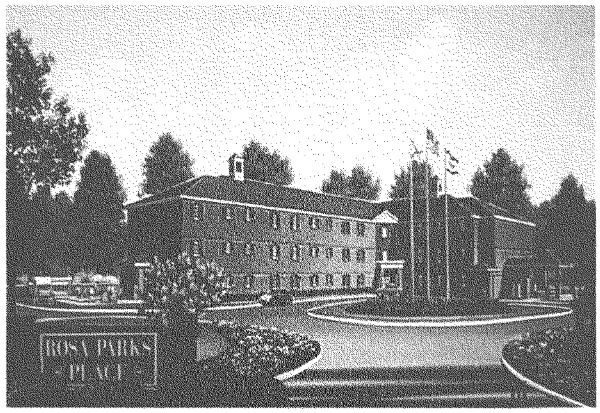
- Both CDFI and non-depository loan funds should be eligible for Federal funds.

- The Fund should allow applicants to match the Fund's grant with their own funds. Currently, the Fund only allows applicants to use "retained earnings" as a match, but just from the previous year.

We appreciate your strong interest in increasing loan availability on Main Street, and look forward to supporting your efforts.

Community Investment Corporation of the Carolinas

Massachusetts Housing Investment Corporation



Alabama Multifamily Loan Consortium

Testimony of Ray Moncrief, Kentucky Highlands Investments Corporation

Community Development Financial Institutions (CDFI's): Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities

United States House of Representatives
Committee on Financial Services

March 9, 2010

Thank you, Chairman Frank and Ranking Member Bachus for the opportunity to testify as a witness regarding the challenges facing CDFIs and specifically our experience at Kentucky Highlands Investment Corporation (KHIC) working with the CDFI Fund. I also want to thank you and your staff for convening an experienced and insightful group of practitioners to participate, and for facilitating a powerful conversation about how CDFIs are helping residents of lower-income, underserved and minority communities to achieve a better life for themselves and their families.

I should tell you that I sit before you today not only as the CEO of KHIC, but also as a member of the CDFI Coalition's Board of Directors, a member of the NMTC Coalition's Board of Directors, and as the chair of the Community Development Venture Capital Alliance (CDVCA). In addition, I am in my fouth year of serving on the CDFI Fund's Advisory Board.

With that said, I will now address the questions posed by Chairman Frank in his letter of March 3, 2010.

What has been your general impression of the usefulness of the community development financial institutions (CDFI) Fund?

As a practitioner of community development financing in a rural, distressed part of our nation for nearly 32 years, I have seen firsthand the profound difference in the lives of our people that the CDFI Fund has helped to facilitate. KHIC, in its role as a CDFI, has been able to help small businesses and self-employed entrepreneurs start up, expand and survive in a challenging economic climate. These businesses offer good, living-wage jobs to people who are eager to work, in an economically disadvantaged area in which few quality employment opportunities exist.

CDFIs fill a vital niche in the nation's financial services delivery system, offering loan products and financial services to families or in communities that are difficult for traditional financial institutions to serve. As CDFIs we provide loans and investments to support the development of quality affordable housing, finance businesses, and finance community facilities, including health centers, daycare and education facilities, all with the level of technical assistance needed by their borrowers.

What makes the CDFI Financial Assistance (FA) Program unique is that it is provided to build the capacity of the CDFI as an institution, not as a pass-through directing the CDFI to fund specific types of projects. This enables CDFIs to use their awards to build their capital accounts, use the funds for reserves, for general lending capital or for similar purposes. In return, each CDFI that receives an award is required to demonstrate that it is providing loans, investments and other financial services in its community over the course of the award period. This valuable source of capital has been critical to KHIC, and as a result our asset size has grown 107% over the last 13 years, since becoming a CDFI.

Could you explain the exact nature of the economic activities in which your institution has been engaged through the CDFI program?

Kentucky Highlands Investment Corporation (KHIC), headquartered in London, Kentucky, was founded in 1968 as a Job Start Corporation as a part of the War on Poverty. KHIC's purpose is "to plan, promote, initiate, and coordinate community, economic and social development efforts." KHIC entered the community development venture capital field in 1976. It has a strong base of capital with a portfolio that allows it to be self-sustaining, a dedicated and experienced staff, a committed and supportive Board of Directors, and a clear definition of its mission and method. It accomplishes its mission by providing both financial support and management assistance to new and existing businesses. It has sought to recruit companies from areas outside the region to provide much-needed jobs for residents in its service area. KHIC originally served nine counties, but has expanded its service area to twenty-two counties in Southeastern Kentucky. This hilly, rural Appalachian area has only five population centers with more than 5,000 residents and has chronically high rates of unemployment and poverty.
The investing activities of KHIC include a wide range of instruments such as equity investments, subordinated debt, term loans for real estate and equipment, revolving lines of credit, and micro loans. As one of very few venture capital sources in the area, KHIC plays a unique role in providing funds for highly leveraged, expansion businesses. Because KHIC can put money at risk as equity and subordinated debt, it can go beyond regulated full-service banks in helping portfolio companies. Having this range of investment instruments available allows KHIC to help expanding companies provide jobs to chronically poverty-stricken Appalachian Eastern Kentucky.

It's been our experience that technical assistance is one crucial need of small businesses in lower income areas that is almost always inadequately addressed. We have also been a huge supporter of the business incubator concept, having had a successful incubator in our building for several years now. As part of our commitment to providing technical assistance, we are constructing a new building adjacent to our existing offices in London, Kentucky, to house a much larger business accelerator facility that will provide a supportive environment for new and small businesses to grow and prosper in our service area. The goal of our new facility will be to move companies through the business development process toward self-sustainability, which typically may take up to three years or more, while building a more entrepreneurial community in the region.

In terms of historical activities, KHIC has invested in excess of $165 million in more than 500 businesses since its inception in 1968, and has created more than 17,000 jobs. Collectively, those businesses have paid more than $1.0 billion, unadjusted for inflation, in salaries and wages since 1968. In addition to its lending and investing activities, KHIC provides technical assistance to more than 90 businesses annually. KHIC has developed over $10 million in real estate projects and provided $75 million in financing to support industrial and commercial real estate in the area. Our success notwithstanding, our service area remains hard hit by job losses. At 10.5%, Kentucky's 2009 unemployment was the worst since 1983; however, the unemployment rates in 20 of the 22 counties in KHIC's service area have easily topped that, with one county in excess of 18%.

What specific economic or neighborhood impact can you point to that has resulted from CDFI Fund investment?

KHIC's service area is rural, and is frequently overlooked by traditional sources of capital. We know the specific and unique needs in our service area and with CDFI Fund investment, we have been able to greatly improve the lives of the persons living here. One particularly interesting example is Patriot Industries. After struggling for years, the company has become a very profitable business making a substantial, positive community impact. Patriot began operations in 1998 with 15 employees in one location. KHIC provided both equity and debt for the company to start and had financed its growth over the years. KHIC also built the building and leased it to Patriot Industries. I have served as a member of the company's board of directors since its inception and have participated in strategies that have guided the company through its startup, expansion and growth into the successful company that it is today. At the end of 2009, Patriot employed 545 persons in two plants that make various backpacks and protective gear for military infantrymen. Both plants are located in low income census tracts in Monticello and Albany, Kentucky. In the past six years alone, the company has provided nearly $33 million in salaries and wages, and because Patriot is a locally owned company, those dollars, as well as the company's profits, which have grown significantly in the past five years, stay in rural, lower income areas.

How has the economic downturn affected your entity's activities?

Our service area is in a region that has historically been starving for investment capital. During this economic downturn, the number of investment and financing requests that we receive continues to grow. Additionally, and fairly unique to this past couple of years, KHIC has been financing businesses that have been pushed out of the nest by traditional banks, especially when those former locally owned community banks are purchased by larger regional or national banks. Larger banks often decide that the businesses do not fit their portfolio objectives. Many of these businesses have demonstrated long-term profitability, but have simply hit a bump in the road, and are on the bubble, because of recent losses or lower profits due to an economic downturn that's affected all businesses.

One such business that found itself in that situation this past year is Highlands Diversified in London, Kentucky. Highlands Diversified provides metal stamping and fabrication, powder coat painting and electro-mechanical assembly, as well as various other services, for automotive, appliance, telecommunication and office equipment companies. When the company's bank was purchased by a large regional bank in 2009, the acquiring bank informed Highlands Diversified that its working capital line of credit would not be renewed for another term. Ironically, this happened just as the company was on the brink of receiving more than $5 million in new business. Highlands Diversified was historically profitable, but had operated at a loss during the previous year, and was forecasting a loss for the upcoming year; however, KHIC saw the upside of investing in the company, and established a $2.5 million revolving line of credit to replace the one that was being dropped. At the time that KHIC established Highlands Diversified's line of credit a year ago, the company had 194 employees. The company is now profitable again and employs 220 persons, with employment expected to increase.

If KHIC had not been there to intervene and provide the financing needed to maintain operations, we would have lost more than 200 jobs in our community.

Has it affected the demand for your institution's services, your liquidity, your balance sheet?

KHIC has experienced a huge increase in demand for services that, as a result, has placed significant pressure on our liquidity. We use our resources to provide the financing necessary to keep small businesses afloat while they weather this economic downturn, until they can return to more normal operations. While this has put considerable strain on our resources, we have also viewed this as an opportunity to provide financing and technical assistance that is unavailable from traditional financing sources, and thus, further our mission of creating wealth for persons in lower income, minority and underserved communities in our service area.

How have you had to manage your portfolio in light of these circumstances?

Because we have limited financial resources, we have been required to invest very prudently. While our goal is always to invest in small businesses that become profitable and self-sustaining, we could have invested in additional businesses this past year that were on the line and most likely could have become successful enterprises if we had more funds available to invest. In addition, with the tough economic challenges facing our portfolio companies today, we have been forced to provide them more technical assistance, both in quantity and intensity. We feel that technical assistance is critical to the success of these businesses; however, with limited resources, providing this service can be sometimes overwhelming to our staff.

What could be done to help you serve more people and communities in your area, in the short term and the long term, including any legislative changes to the CDFI statute?

The American Recovery and Reinvestment Act (ARRA) passed by Congress last year included language to waive the one to one private matching funds required of CDFIs applying for Financial Assistance from the Fund. In waiving this match requirement Congress acknowledged the difficulty that CDFIs like KHIC face in securing private sources of matching in a slowing economy.

Unfortunately the economic climate has not changed in southeastern Kentucky and I know that I speak for other CDFIs when I say that we continue to confront serious challenges in securing private match and yet we don't want this to stand in the way of pursuing additional capital from the Fund.

Therefore, we are asking that you include language in the Fiscal 2011 appropriations bill that would continue the waiver of the matching funds requirement through fiscal 2011 so that CDFIs can focus on addressing the capital and financing needs of their communities.

I want to be clear that I am not suggesting that Congress permanently do away with the one to one matching requirement. I believe, as do my colleagues in the CDFI community, that CDFIs should be called upon to show they leverage the CDFI funds as much as possible, but at the same time we need to be realistic as to what is possible in this economic environment.

In summary, I want to once again thank Chairman Frank, Ranking Member Bachus, and members of the United States House of Representatives Committee on Financial Services for this opportunity to tell you about the work that CDFIs, like Kentucky Highlands Investment Corporation, do to address the challenges of serving lower income, underserved and minority communities. It is our desire that the CDFI Fund become an even more robust program, as there is a need for the benefits it provides that far outstrips our ability to serve.

Kentucky Highlands Grants and Loans Awarded
10/01/2006 through 12/31/2009

Awarding Agency	Date	Grant No./loan No.	Amt
United States Department of Agriculture			
Rural Business Enterprise Grant	6/8/2006	200630610673339	$199,000.00
	6/18/2007	200630610673339	324,915.00
	6/29/2007	200630610673339	349,000.00
	5/30/2008	200630610673339	299,000.00
	5/30/2008	200630610673339	199,000.00
Self-Help Housing Technical Assistance	4/25/2008	20270611253192	250,000.00
Intermediary Relending Program	11/29/2007	61-24	750,000.00
	11/29/2007	61-22	750,000.00
Rural Business Opportunity Grant	9/9/2008	210630610673339	50,000.00
United States Department of Treasury			
Community Development Financial Instituions	2/10/2009	081FA007436	443,664.00
	2/10/2009	081FA007436	100,000.00
	11/5/2009	091FA007855	1,000,000.00
Bank Enterprise Award	9/30/2007	N/A	44,000.00
Appalachian Regional Commission			
ARC	10/1/2006	CO-15528-06	500,000.00
Energy Boot Camp	8/1/2007	CO-315789-07	75,000.00
Revolving Loan Fund (2)	10/1/2008	CO-16094-08	75,000.00
	Revolving	KY-15038-05	400,000.00
ARC-CEG	9/1/2007	KY-15648-07	199,000.00
ARC-CEG	9/1/2008	KY-16071-214-08	300,000.00
United States Small Business Admininstration			
Microloan Grant Program	1/1/2007	SBAHQ-03-Y-0006	182,346.00
	1/1/2008	SBAHQ-03-Y-0006	236,871.00
	1/1/2009	SBAHQ-03-Y-0006	373,706.00
United States Department of Health and Human Services			
Office of Community Services, Discretionary Grants	9/30/2007	90EE0778	677,000.00
Urban and Rural Economic Development	9/30/2006	90EE0770	700,000.00
	9/30/2009	90EE8076	765,828.00
United States Department of Housing and Urban Development			
Office of Rural Housing and Economic Development	1/28/2008	RH-07-KY-I-0019	300,000.00
	12/29/2005	RH-07-KY-I-0010	400,000.00
Economic Development Administration			
Incubator	9/11/2008	04-01-06095	1,080,000.00
Total Grants Received			$11,023,330.00

Lloyd Raymond Moncrief

321 Canyon Drive • London, KY 40741 • Phone: 606-864-5175 • lrmoncrief@khic.org

Senior Executive Officer

- Currently serves in senior executive level positions in six companies.
- Extensive experience as an entrepreneur.
- Nationally and internationally recognized speaker and writer on the use of equity as an economic development strategy.
- Regarded as one of the founders of the community development venture capital industry

Skills

- Strategic and Operational Leadership
- Successful Entrepreneur Experience
- Fund Raising Experience
- Corporate Communications
- Accomplished Writer
- Respected Speaker
- Business Turnaround Experience
- Advanced Negotiating Skills

Selected Awards and Accomplishments

- **Appointed to the Community Development Fund Advisory Board by President George W. Bush**
- **Founding director of the Community Development Venture Capital Alliance (CDVCA), which provides equity capital to businesses in underinvested areas**
- **Received the CDVCA Lifetime Achievement Award in 2004**
- **Has provided testimony to U.S. Congress on various economic topics on multiple occasions**
- **Published author of numerous papers on community development venture capital**

Professional Experience

Meritus Ventures, LP (a Rural Business Investment Company (RBIC), currently the only RBIC in U.S.)
$36.4 Million Venture Capital Fund with offices in London, KY and Oak Ridge, TN, actively seeking new investments, that invests in all or part of 11 states in rural areas in central and southern Appalachia

Principal and Fund Manager, 9/2006 to Present

Manages $36.4 million venture capital fund with co-manager. Has invested in five companies to date. Serves as a director on the boards of two of those companies. Works with entrepreneurs, providing managerial and operational assistance from startup to exit. Responsible for various compliance and reporting requirements to the Small Business Administration and USDA Rural Development.

Selected Accomplishments:

- Successfully completed licensure requirements of U.S. Small Business Administration to establish a Rural Business Investment Company
- Was the only applicant that successfully raised required private equity funds to obtain RBIC license.
- Has invested 21% of the fund's planned investment dollars as of 9/3/09 and helped portfolio companies to attract other sources of capital, achieving a leveraged funds ratio of 4:1.

Southern Appalachian Fund, LP (a New Markets Venture Capital Company)
$12.5 Million Fully-Invested Venture Capital Fund with offices in London, KY and Oak Ridge, TN, formed to provide equity capital and operational assistance to qualifying businesses in low income communities in southern Appalachia.

Principal and Fund Manager, 7/2000 to Present

Manages $12.5 million venture capital fund with co-manager. Has invested in eight companies. Serves, or has served, as a director on the boards of four of those companies. Works with entrepreneurs, providing managerial and operational assistance from startup to exit. Fund is now making follow-on investments only. Responsible for various compliance and reporting requirements to the Small Business Administration and the Community Development Financial Institutions Fund.

Selected Accomplishments:

- Invested in eight companies within five years of the fund's establishment
- Achieved exits from three companies, achieving overall investment metrics within planned projections
- Helped portfolio companies attract capital from other sources, achieving a leveraged funds ratio of 7:1.
- Successfully utilized New Markets Venture Capital and New Markets Tax Credit programs concurrently in investing activities

Kentucky Highlands Investment Corporation, London, KY
Community Development Corporation formed in 1968 to stimulate economic growth that operates in 22 counties in southern and eastern Kentucky and has created more than 10,000 jobs by providing debt and equity financing, as well as extensive technical assistance to small businesses

Executive Vice President and Chief Operating Officer, 10/1984 to Present

Responsible for investing activities. Provides managerial and operational assistance to entrepreneurs throughout business life cycle, including serving as CEO or other member of senior management in portfolio companies. Negotiates sales of portfolio companies. Currently serves on boards of several portfolio companies.

Selected Accomplishments:

- Also serves as President and Chief Executive Officer of Mountain Ventures, Inc., a Small Business Investment Company licensed by the U.S. Small Business Administration and wholly-owned by Kentucky Highlands.
- Negotiated several very successful exits from portfolio companies.
- Successfully turned around or recapitalized several portfolio companies, and is responsible for such operations on an as-needed basis.
- Participated in numerous studies analyzing capital needs in rural America, including a White House economic roundtable discussion.
- Served as President and Chief Executive Officer of Kentucky Highlands from 10/1984 to 2/1009, before founding own small business.

Shadow, Inc., London, KY
Manufacturer of high-performance, customized bass fishing boats
President and Chief Executive Officer, 3/1988 to 11/1989

Founded company. Responsible for overseeing all functions of the company. Helped design and develop strategic products. Shadow Boats are still regarded as quality fishing boats that have retained resale value well, many of which are still being used.

Medical Management Corporation, Whitley City, KY
Provided emergency room management services to hospitals
Chairman and Chief Executive Officer, *6/1983 to 10/1984*

Joined unprofitable company as significant owner and successfully turned around company. Responsible for day to day, as well as strategic, operations of the company. Successfully sold company to larger emergency room management company.

Outdoor Venture Corporation, Stearns, KY
Manufacturer of tents and other camping equipment
Vice President and Chief Operating Officer, *8/1978 to 6/1983*

Managed all phases of company's finances and data processing. Performed treasury function. Responsible for risk management procedures. Performed significant role as part of management team that grew the company from startup to $25 million annual sales.

Firestone Synthetic Rubber and Latex Company, Akron, OH
Manufacturer of rubber and latex products
Held various accounting positions leading up to Manager of Accounting Division, *6/1972 to 8/1978*

Responsible for general and cost accounting functions for division that included four domestic plants and one foreign plant, including annual, as well as long-term budget planning. Managed personnel in accounting division.

Professional Organizations

- Community Development Venture Capital Alliance – Current Director and Chairman
- National Association of Small Business Investment Companies – Past Member of Board of Governors
- Southern Kentucky Economic Development Corporation – Co-Founder and Past President
- New Markets Tax Credit Coalition – Board Member
- Community Development Financial Institutions Coalition – Board Member
- Community Development Advisory (Presidential Appointment) – Advisor to the Director of the Community Development Financial Institutions Fund

Education

LOUISIANA TECH UNIVERSITY – Ruston, LA
Bachelor of Science, Accounting 1972

LAMAR UNIVERSITY – Beaumont, TX, Graduate Courses

Community Development Financial Institutions Fund
U.S. Department of the Treasury

The U.S. House of Representatives' Committee on Financial Services on March 9, 2010 conducted a hearing, "Community Development Financial Institutions (CDFIs): Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities." During the discussion, Ranking Member Spencer Bachus posed the following question:

> "I know the testimony of one of the witnesses on the second panel is that CDFI banks are significantly underperforming peer banks. She says CDFI banks reported a median net loan charge-off rate of 1.11 percent and a median noncurrent loan ratio of 3.82 percent. By contrast, a peer group for traditional banks—and those are banks with less than $2 billion in total assets—reported a net loan charge-off rate of 0.42 percent and a noncurrent loan rate of 1.71 percent. That would mean that the peer group was actually having a charge-off of about one-third of what the CDFI banks were. Do you know whether [the study] was talking about low-income communities?"

The testimony that Ranking Member Bachus refers to in his question was presented by Dorothy Bridges, CEO and President of City First Bank of DC, Washington, DC. In her written comments to the Committee on Financial Services, Ms. Bridges provided data from the "Consolidated Reports of Condition and Income" (Call Report) for the December 31, 2009 report date, prepared by the Federal Deposit Insurance Corporation (FDIC) and "Social Performance Metrics," prepared by the National Community Investment Fund. In her testimony, she compares CDFI banks with "traditional banks defined as those with less than $2 billion in total assets." The only criteria for these banks was asset size, not service area, such as "low-income communities," so the comparison of median charge-off is limited.

A CDFI bank is a Federal Deposit Insurance Corporation-insured bank or thrift that has a primary mission of promoting community development. There are currently 71 CDFI banks and thrifts, plus 22 depository institution holding companies. These institutions are distinct from traditional banks and thrifts because low-income people and communities are their primary markets. CDFI banks serve urban and rural communities that lack access to credit and are not adequately served by the traditional banking industry.

CDFI banks channel far more of their activities into low- and moderate-income communities than traditional financial institutions. CDFI banks have:

- Nearly seven times more branches in low- and moderate-income areas than traditional banks.
- Four times more Home Mortgage Disclosure Act loans in low- and moderate-income areas as a percentage of total loans than traditional banks (again using a traditional bank peer group of less than $2 billion in total assets).

It should also be noted that CDFI banks are required by the U.S. Department of the Treasury to target at least 60 percent of their total activities to serve low-income people or communities. Yet, these communities are more difficult and expensive to serve due to greater borrower capacity deficiencies than other markets. Products must be customized, loan sizes are smaller and less profitable and higher loan loss reserves are necessary.

Community Development Financial Institutions:
Their Unique Role and Challenges Serving Lower-Income,
Underserved and Minority Communities

Community Development Financial Institutions

Activity in Select
House Financial Services Committee
Member Districts

United States House of Representatives–Committee on Financial Services
Tuesday, March 9, 2010: 2:00 p.m.
2128 Rayburn House Office Building

Community Development Financial Institutions

Activity in Select
House Financial Services Committee
Member Districts

Executive Summary

The CDFI Fund was created by the Riegle Community Development and Regulatory Improvement Act of 1994 for the purpose of promoting economic revitalization and community development through investment in and assistance to Community Development Financial Institutions (CDFIs). The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and economically distressed communities in the United States. Since its creation, the CDFI Fund has:

- Awarded over $1.2 billion to CDFIs, community development organizations and financial institutions.
- Allocated $26 billion in tax credit authority to Community Development Entities through the New Markets Tax Credit.

CDFIs are dedicated to serving low-income communities often considered too risky by mainstream financial institutions. By targeting these communities with additional resources, CDFIs are strategically positioned to help some of the most vulnerable populations in the nation at a time when they are facing many financially challenging situations.

- CDFI customers are 70 percent low income, 60 percent minority and 52 percent female.[1]
- CDFI banks operate 71.4 percent of their branches in low- to moderate-income communities, compared to only 27.1 percent for all banks.[2]
- Of CDFI banks, 54 percent are defined by the FDIC as Minority Depository Institutions, indicating that these banks are minority owned or are focused on serving the needs of a minority community.[3]

Certification

To become certified as a CDFI, an organization must submit a CDFI Certification application to the CDFI Fund for review and approval. The application must demonstrate that the organization meets each of the following requirements:

- Be a legal entity at the time of certification application;
- Have a primary mission of promoting community development;
- Be a financing entity;
- Primarily serve one or more target markets;
- Provide development services in conjunction with its financing activities;
- Maintain accountability to its defined target market; and

[1] "The CDFI Data Project," FY 2007 Report, Seventh Edition, www.opportunityfinance.net.

[2] Low- to moderate-income community is defined as a census tract with a median household income that is less than 80 percent of the relevant statistical area, an unemployment rate that is 1.5 times the national average or a poverty rate greater than 20 percent.

[3] FDIC Minority Depository Institution Program, www.fdic.gov/ regulations/resources/minority/index.html.

- Be a non-government entity and not be under control of any government entity (Tribal governments excluded).

Award Determination

The CDFI Fund determines which organizations receive awards from its limited resources through a competitive, triple-peer review process. Applicants must submit award applications that comprehensively present the organization's financial products, development services, and/or financial services within the target market, business strategy, community development performance, management and financial health.

Three external reviewers with substantial experience in the field are assigned to each financial assistance application and are responsible for providing independent analysis. They are charged with applying the scoring guidance impartially and consistently. Reviewers are expected to use their subject-matter expertise to evaluate the claims made by the applicant and use their judgment to resolve information that is contradictory or ambiguous.

District Information

The Members of the House of Representatives Financial Services Committee that were present at any time during the hearing titled, "Community Development Financial Institutions: Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities" on Tuesday, March 9, 2010 were:

- Chairman Barney Frank
- Ranking Member Spencer Baucus
- Representative John Adler
- Representative Joe Baca
- Representative Judy Biggert
- Representative André Carson
- Representative Travis Childers
- Representative Emanuel Cleaver
- Representative Al Green
- Representative Lynn Jenkins
- Representative Leonard Lance
- Representative Brad Miller
- Representative Dennis Moore
- Representative David Scott
- Representative Maxine Waters
- Representative Melvin L. Watt

Cumulative awards/allocations in these Districts are below. Please note that this investment is only for those CDFIs and CDEs headquartered in the Districts and does not reflect total investment, which includes CDFI/CDE investment from groups not headquartered in the Districts, but provided services:

- Total Financial and Technical Assistance Awards: $14,335,915
- Total Bank Enterprise Awards: $30,483,760
- Total New Markets Tax Credit Allocations: $808,000,000

About the CDFI Fund

Overview

The U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) was created for the purpose of promoting economic revitalization and community development in low-income communities through investment in and assistance to Community Development Financial Institutions (CDFIs).

The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and economically distressed communities in the United States.

Among the beneficiaries of the CDFI Fund's initiatives are low-income people and/or economically distressed communities, which include populations that otherwise lack adequate access to capital and financial services and people who are "under or unbanked."

Since its creation in 1994, the CDFI Fund has:

- Awarded over $1.2 billion to CDFIs, community development organizations and financial institutions.
- Allocated $26 billion in tax credit authority to Community Development Entities (CDEs) through the New Markets Tax Credit (NMTC).

CDFI Fund Initiatives

- **CDFI Financial and Technical Assistance:** Provides capital grants to institutions that are certified as CDFIs, which in turn provide loans investments, financial services (including financial education) and technical assistance to underserved populations and low-income communities; and technical assistance grants to certified CDFIs and entities that will become certified as CDFIs within three years.
- **Native Initiatives:** Provides financial assistance awards, technical assistance grants, and training to Native CDFIs and other Native entities proposing to become or create Native CDFIs.
- **Bank Enterprise Awards:** Provides monetary awards to Federal Deposit Insurance Corporation insured banks for increasing their investment in low-income communities and/or in CDFIs.
- **New Markets Tax Credit:** Provides tax allocation authority to certified CDEs, enabling investors to claim tax credits against their federal income taxes; the CDEs, in turn, use the capital raised to make investments in low-income communities.

- **Capital Magnet Fund:** Will provide competitively awarded grants to CDFIs and qualified nonprofit housing organizations to finance affordable housing and related community development projects.
- **Financial Education and Counseling Pilot:** Provides financial assistance awards to eligible organizations for a range of financial education and counseling services to prospective homebuyers.
- **Capacity Building Initiative:** Provides technical assistance and training to CDFIs across the nation. Key areas include:
  - **Assistance for specialized CDFIs.** This assistance helps CDFIs grow their capacity to address complex problems in their specialized markets and helps to establish new CDFIs in markets where financial institutions have not historically existed.
  - **Affordable housing lending.** CDFIs receive assistance in identifying the best strategies for restructuring troubled loans as well as developing new lines of business.
  - **Small business lending.** CDFIs that make small business loans are finding their clients struggling or even worse, disappearing. This initiative helps CDFIs develop adequate resources and new lines of business.
  - **CDFI business process.** CDFIs often need assistance managing their portfolios or minimizing their risks. This initiative provides help to all types of CDFIs regarding portfolio management and risk assessment, technical assistance and other challenges like liquidity and capitalization issues and expansion into new markets.

2008 CDFI Financial and Technical Assistance Award Performance

Number of full-time jobs created or maintained	70,260
Number of businesses financed	10,792
Number of commercial real estate properties financed	1,676
Dollars (in millions) leveraged with private investments	$1,298
Number of individuals provided with financial literacy and other training	159,546

2008 Bank Enterprise Award Performance

BEA awardees in 2008 increased their qualified community development activities by $292.3 million over the prior year, including:

- An increase of $214.2 million in loans and investments in distressed communities.
- An increase of $74.6 million in loan deposits and technical assistance to CDFIs.
- An increase of $3.5 million in the provision of financial services in distressed communities.

2009 New Markets Tax Credit Allocation Round

In October 2009, the CDFI Fund announced that 99 applicants were awarded $5 billion in NMTC allocation authority, including $1.5 billion in Recovery Act authorized allocation authority.

- Ninety-five of the allocatees indicated that at least 90 percent of their activities will be provided in areas of higher economic distress (and/or areas targeted for development by other government programs) than are minimally required under NMTC rules. Of the 95, 91 indicated that 100 percent of their activities will be provided in such areas.
- All 99 of the allocatees indicated that they will invest more than the minimally required 85 percent of Qualified Equity Investments (QEI) dollars into Qualified Low-Income Community Investments (QLICI), and 96 of the 99 allocatees indicated that at least 95 percent of their QEI dollars will be invested into qualified low-income community investments. In real dollars, this means that at least $630 million above and beyond what is minimally required by the NMTC rules will be invested in low-income communities.
- Allocatees reported making $2.89 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs) in FY 2008, and a total of $11.86 billion of loans and investments in QALICBs since the program's inception.
- Finally, in FY 2008, allocatees also reported making over $259 million in direct investments into other CDEs, purchasing $128.2 million in loans from other CDEs, and providing financial counseling and other services to 5,493 businesses in low-income communities.

Program Support Contact Information

- CDFI Fund Help Desk & New Markets Tax Credit Support Line
  Phone: (202) 622-6355
  Email: cdfihelp@cdfi.treas.gov
- Information Technology Support Contact Information (IT Help Desk)
  Phone: (202) 622-2455
  Email: IThelpdesk@cdfi.treas.gov
- Community Investment Impact System (CIIS)
  Phone: (703) 373-1516
  Email: ciishelp@kearneyco.com

CDFI Certification

CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance from the CDFI Fund through the Financial and Technical Assistance Initiatives, Native American CDFI Assistance (NACA), and certain benefits under the Bank Enterprise Award to support an organization's established community development financing programs.

To become certified, an organization must submit a CDFI Certification application to the CDFI Fund for review and approval. The application must demonstrate that it meets each of the following requirements:

- Be a legal entity at the time of certification application;
- Have a primary mission of promoting community development;
- Be a financing entity;
- Primarily serve one or more target markets;
- Provide development services in conjunction with its financing activities;
- Maintain accountability to its defined target market; and
- Be a non-government entity and not be under control of any government entity (Tribal governments excluded).

CDFIs include regulated institutions such as community development banks, thrifts and credit unions, and non-regulated institutions such as loan and venture capital funds. The CDFI Fund is dedicated to expanding the number of CDFIs in low-income communities and is actively engaged in promoting CDFI certification in these communities in particular.

Award Application Peer Review

The CDFI Fund provides funding to CDFIs to build their capacity to provide credit, capital and related services to underserved markets. Financial assistance awards are made in the form of grants, loans and equity investments. Awards are given to CDFIs that have comprehensive business plans for creating community development impact and that demonstrate the ability to leverage private sector sources of capital.

The CDFI Fund determines which organizations receive awards from its limited resources through a competitive, triple-peer review process. Applicants must submit award applications that comprehensively present the organization's financial products, development services, and/or financial services within the target market, business strategy, community development performance, management and financial health.

Three external reviewers with substantial experience in the field are assigned to each financial assistance application and are responsible for providing independent analysis. They are charged with applying the scoring guidance impartially and consistently. Reviewers are expected to use their subject-matter expertise to evaluate the claims made by the applicant and use their judgment to resolve information that is contradictory or ambiguous.

CDFIs may offer rates and terms that are more flexible than those provided by traditional financial institutions. CDFIs also provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and homebuyer education and credit counseling for consumers.

About CDFIs

CDFIs, as a class of financial institutions, have years of experience lending to borrowers with poor credit histories and have developed products and credit counseling services that permit borrowers to enter into and participate successfully in the financial mainstream. CDFIs serve a critical role in our nation's distressed communities offering responsible loan products and technical assistance to borrowers who may not be reached by mainstream financial institutions.

CDFIs are dedicated to serving low-income communities often considered too risky by mainstream financial institutions. By targeting these communities with additional resources, CDFIs are strategically positioned to help some of the most vulnerable populations in the nation at a time when they are facing many financially challenging situations.

- CDFI customers are 70 percent low income, 60 percent minority and 52 percent female.[4]
- CDFI banks operate 71.4 percent of their branches in low- to moderate-income communities, compared to only 27.1 percent for all banks.[5]
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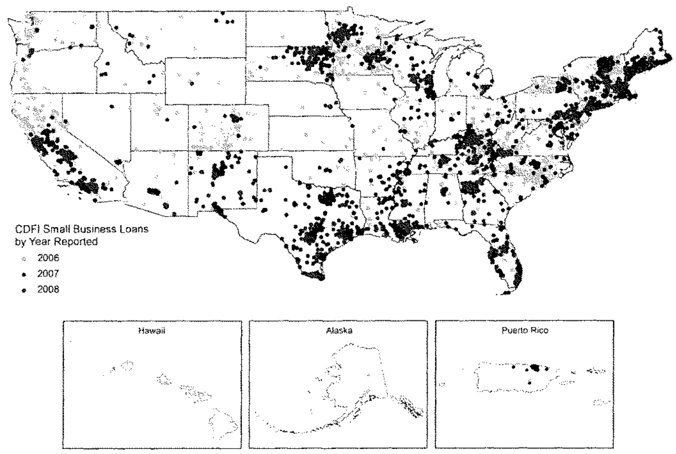
[4] "The CDFI Data Project," FY2007 Report, Seventh Edition, www.opportunityfinance.net.

[5] Low- to moderate-income community is defined as a census tract with a median household income that is less than 80 percent of the relevant statistical area, an unemployment rate that is 1.5 times the national average or a poverty rate greater than 20 percent.

[6] For more information on the FDIC Minority Depository Institution Program, please visit www.fdic.gov/regulations/resources/minority/index.html.

CDFI Small Business Loans

Reported in 2006 - 2008



Prepared by the CDFI Fund, U.S. Department of the Treasury
November 17, 2009

Financial Services Committee Districts Overview

The Members of the House Financial Services Committee that were present at any time during the hearing titled, "Community Development Financial Institutions: Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities" on Tuesday, March 9, 2010 were:

- Chairman Barney Frank
- Ranking Member Spencer Baucus
- Representative John Adler
- Representative Joe Baca
- Representative Judy Biggert
- Representative André Carson
- Representative Travis Childers
- Representative Emanuel Cleaver
- Representative Al Green
- Representative Lynn Jenkins
- Representative Leonard Lance
- Representative Brad Miller
- Representative Dennis Moore
- Representative David Scott
- Representative Maxine Waters
- Representative Melvin L. Watt

Each Member present will find concise information on the activities of CDFIs and the CDFI Fund in their Districts on the following pages.

For each member's District, the CDFI Fund has provided:

1. A profile of a representative CDFI that is headquartered or active in the District and the support it has received from the CDFI Fund;
2. The award history for CDFIs headquartered in the District;
3. A map of the District showing the locations of all loans and investments that CDFIs reported in their portfolios in 2008; and
4. CDFI Financial and Technical Assistance Transaction Level Report (TLR) Data and New Markets TLR Data, summarizing the total number and amount of loans and investments in the District, or in some cases, the entire State.[7]

This information is intended to provide a summary of CDFI Fund involvement in each Member's District via the CDFIs that have successfully applied for and been awarded assistance. It is intended to outline how the CDFI Fund supports the work of such institutions, and is not intended to comprehensively account for how all CDFI Fund award dollars are spent in each District. CDFI Fund awards are used by organizations for a wide variety of purposes and CDFIs typically rely on many sources of capital.

Competition for CDFI Fund awards is highly competitive. Despite the unprecedented funding amounts made available to the CDFI Fund in FY 2009 through appropriated and special Recovery Act dollars, soaring demand meant many strong applications went unfunded. In FY 2009, the CDFI

[7] See Methodology, page 47.

Fund awarded $143 million through financial assistance to 121 certified CDFIs. An analysis of the applicant pool for financial assistance found that there are still 216 highly qualified and unfunded applicants that requested $328.5 million in awards.

The CDFI Fund just closed its application round for FY 2010. CDFIs submitted 408 applications requesting $467 million from the financial assistance awards. The appropriations for the Financial and Technical Assistance awards is $107 million.

Chairman Barney Frank
CDFI Fund Award History in Massachusetts' 4th District

CDFI Example

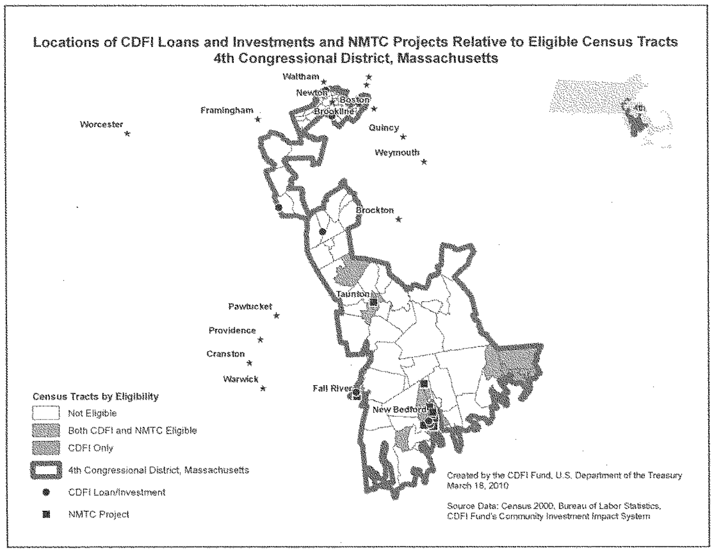
Local Enterprise Assistance Fund (LEAF). Based in Brookline, Massachusetts, LEAF promotes human and economic development by providing financing and development assistance to community-based and employee-owned businesses that create and save jobs. Since its creation, LEAF has invested more than $4 million and leveraged an additional $51 million for worker cooperatives and community-based businesses, such as providing financing to low-income families to form cooperatives to purchase the underlying land of manufactured home communities. LEAF has received several CDFI Fund financial assistance awards. The funds received from its 2004 award allowed LEAF to support the activities of three different Alternative Staffing Organizations (ASOs) that identify employment opportunities and help low-skilled and disadvantaged individuals access those opportunities as temp-to-perm job placements. People with disabilities, ex-offenders and homeless individuals are major target populations that benefit from the intensive pre- and post-placement support for workers provided by ASOs.

CDFI Financial and Technical Assistance

CDFI	1998	Local Enterprise Assistance Fund	$46,500
CDFI	1999	Jobs for Fall River, Inc.	$380,000
CDFI	2002	Local Enterprise Assistance Fund	$98,000
CDFI	2003	Local Enterprise Assistance Fund	$100,000
CDFI	2004	New Bedford Economic Development Council	$37,405
Total			**$661,905**

Bank Enterprise Award

BEA	2006	Bridgewater Savings Bank	$120,000
Total			**$120,000**



- In 2008, CDFIs reported on 181 loans in their portfolios, totaling $84 million made in Massachusetts. Of these, seven loans totaling $1.2 million were in the 4th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 247 investments in Massachusetts that received $645 million in New Markets Tax Credit financing. In Massachusetts's 4th District, there have been 35 investments that received $34 million in New Markets Tax Credit financing. These investments helped support commercial and mixed-use real estate developments, small businesses and manufacturing firms.

Ranking Member Spencer Bachus
CDFI Fund Award History in Alabama's 6th District

CDFI Example

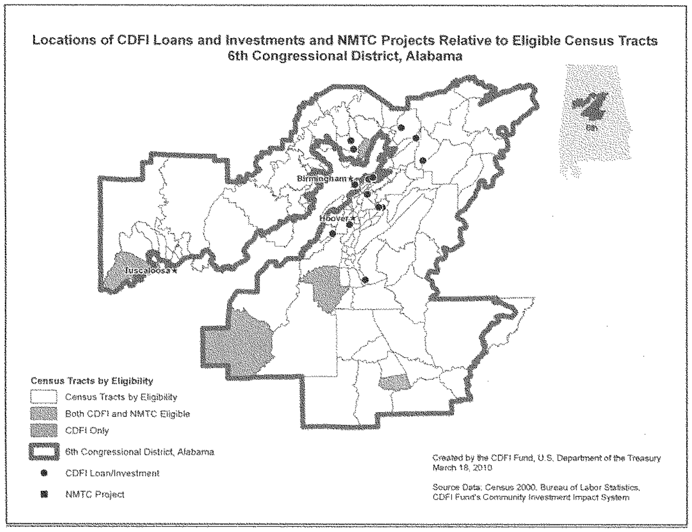
Birmingham Community Development Corporation (BCDC). A non-profit organization established in 1990 to foster economic and community development in Birmingham, Alabama, BCDC provides commercial loans to businesses located in a targeted investment area of approximately 16 census tracts. It is the goal of BCDC to educate and expand access to credit for disadvantaged minority and women-owned small businesses. BCDC has received a Technical Assistance award from the CDFI Fund that it used to develop its capacity to better serve clients in its targeted investment area.

CDFI Financial and Technical Assistance

CDFI	2002	Birmingham Community Development Corporation, Inc.	$50,000
Total			**$50,000**

Bank Enterprise Award

BEA	2001	South Trust Bank	$24,750
Total			**$24,750**

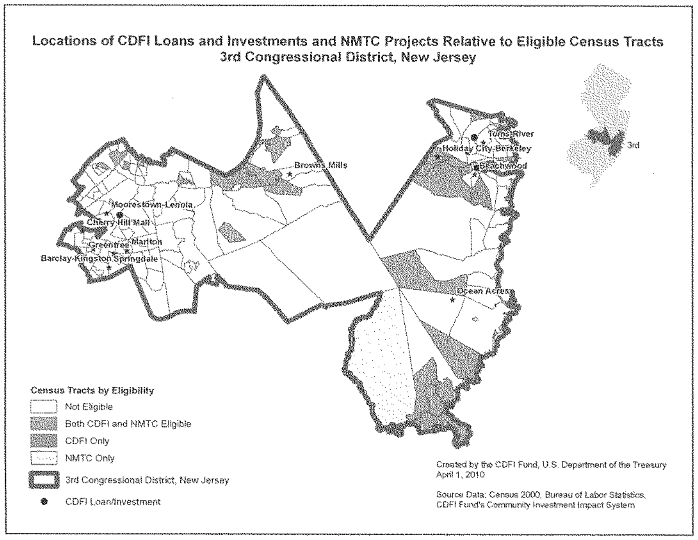


- In 2008, CDFIs reported on 111 loans in their portfolios, totaling $3.6 million, made in Alabama. Of these, 19 loans totaling $737,000 were in the 6th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 11 investments in Alabama that received $64 million in New Markets Tax Credit financing. In Alabama's 6th District, there has been one investment that received $18 million in New Markets Tax Credit financing. This investment helped support the development of a hotel in Birmingham.

Representative John Adler
CDFI Fund Award History in New Jersey's 3rd District

CDFI Investment Example in the 3rd District

The Community Loan Fund of New Jersey, Inc. The Community Loan Fund of New Jersey (New Jersey Community Capital) is one of New Jersey's most prominent CDFIs. Based in Trenton, New Jersey it has provided loan products and development services to low-income targeted populations in New Jersey since 1987 and received financial assistance awards from the CDFI Fund in 1997, 2000, 2004, 2008 and 2009, and New Markets Tax Credit allocations in 2002 and 2008. The Community Loan Fund of New Jersey made a loan of $800,000 to Jane Addams Daycare Center in Toms River, New Jersey that allowed it to finance the purchase of a second location and expand its provision of quality early care services to predominantly low-income children. Situated on North Bay Avenue, the second location serves over 80 children. As one of the few providers available to area residents, Jane Addams Daycare Center serves more than 140 children in total ranging from infants to school-age at its two Toms River locations. In addition to the financing, Jane Addams Daycare Center continues to receive comprehensive technical assistance and is a graduate of the Community Loan Fund of New Jersey's Building Stronger Centers training and technical assistance program, which is designed to enhance operational capacity by helping to improve strategic planning, marketing and facilities development.



- In 2008, CDFIs reported on 186 loans and investments in their portfolios, totaling $79 million made in New Jersey. Of these, five loans and investments totaling $2.2 million were in the 3rd Congressional District. These are depicted in the map provided.
- Through 2008 there have been 65 investments in New Jersey that received $268 million in New Markets Tax Credit financing. There were no NMTC investments in the 3rd District.

Representative Joe Baca
CDFI Fund Award History in California's 43rd District

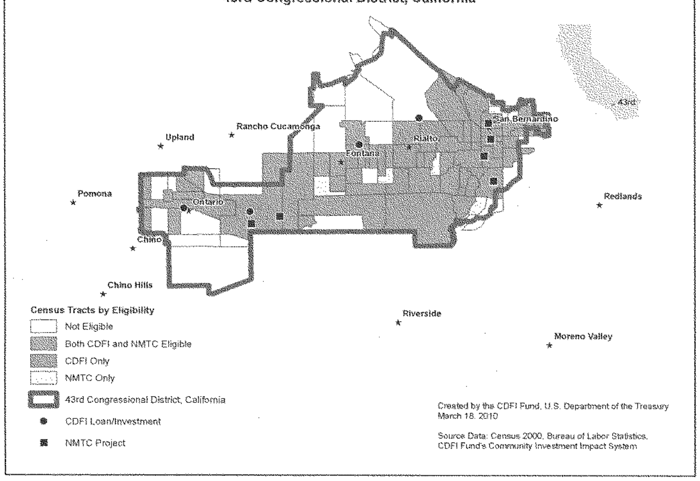
CDFI Investment Examples in the 43rd District

Community Reinvestment Fund, Inc. used New Markets Tax Credit allocations from the CDFI Fund to extend a loan of $390,250 to enable the expansion of the North Valley School for severely emotionally disturbed children in San Bernadino. The loan, which was closed in June 2006, enabled the school to purchase a building, an expansion that allowed the school to go from serving 50 children to 80 children. The investment retained 10 jobs and created a further eight, with a total project cost of $1,136,000.

Community Reinvestment Fund, Inc. also used New Markets Tax Credit allocations from the CDFI Fund to extend a loan for $348,500 and concurrently a non-tax credit loan for $166,500, to refinance an SBA 7(a) loan that enabled a San Bernadino small business to acquire a carwash. The loan, which was closed in May 2008, allowed husband and wife team, Kuor Fey Chau and Chy Youk Chau to become business owners. This investment supported minority entrepreneurship and retained eight jobs for a total project cost of $1.28 million. Community Reinvestment Fund, Inc. has received five NMTC allocations from the CDFI Fund and focuses on a target market of small businesses and non-profits, with loans ranging from as small as $60,000 up to $30,000,000.

Impact Community Capital used a New Markets Tax Credit allocation from the CDFI Fund together with one of its investor/owners Nationwide Life Insurance Company, to originate an $8.4 million loan to finance the remodeling of the Marshall's Plaza commercial center near the Riverside Freeway in San Bernadino. The financing enabled new owners to make major improvements that were needed to entice the anchor tenant to stay. In an area where more than 30 percent of residents have incomes below the poverty level, this facility provides almost 100,000 square feet of commercial space for lease to over 25 businesses. Local small businesses and organizations such as a coin laundry, a beauty school and even a church benefit from the number of customers attracted by a large retail anchor store. The loan, which was below-market and was a fixed-interest rate, also allowed for a lower than standard loan loss reserve requirement.

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
43rd Congressional District, California



- In 2008, CDFIs reported on 11,538 loans in their portfolios, totaling $323 million made in California. Of these, four loans totaling $134,000 were in the 43rd Congressional District. These are depicted in the map provided.
- Through 2008 there have been 361 investments in California that received $1.1 billion in New Markets Tax Credit financing. In California's 43rd District, there have been nine investments that received $21 million in New Markets Tax Credit financing. These investments helped support small businesses, wholesale food and clothing distributors and a community health center.

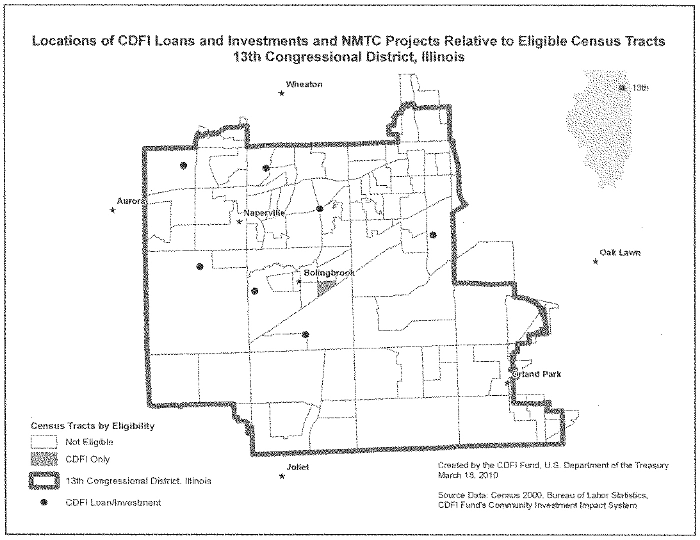
Representative Judy Biggert
CDFI Fund Award History in Illinois' 13th District

CDFI Example

United Central Bank (Mutual Bank). United Central Bank, formerly Mutual Bank, is one of Chicago's leading full-service community banks, committed to empowering and revitalizing the communities it serves with a wide range of financial resources. Since its founding in 1962, United Central Bank has understood the challenges its customers face and has worked to create viable financial solutions to meet these needs. It has received several Bank Enterprise Awards from the CDFI Fund, for, among other things, increasing its consumer, single-family housing, multifamily housing, commercial real estate and business lending in several distressed communities, making below market-rate deposits in the Community Bank of Lawndale, a CDFI, and for increasing its business, commercial real estate, consumer and single-family lending activities in the distressed communities of Cook County, Illinois.

Bank Enterprise Award

BEA	2007	Mutual Bank	$60,000
BEA	2004	Mutual Bank	$54,000
BEA	2003	Mid America Bank, FSB	$6,000
BEA	2001	Mutual Bank	$1,364,781
BEA	2000	Liberty Federal Bank	$107,426
BEA	2000	Mid America Bank, FSB	$82,500
BEA	2000	Mutual Bank	$466,844
BEA	2000	TCF National Bank	$124,810
Total			**$2,373,787**



- In 2008, CDFIs reported on 465 loans in their portfolios, totaling $141 million made in Illinois. Of these, seven loans totaling $2.4 million were in the 13th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 70 investments in Illinois that received $192 million in New Markets Tax Credit financing. There were no NMTC investments in the 13th District.

Representative Andre Carson
CDFI Fund Award History in Indiana's 7th District

CDFI Example

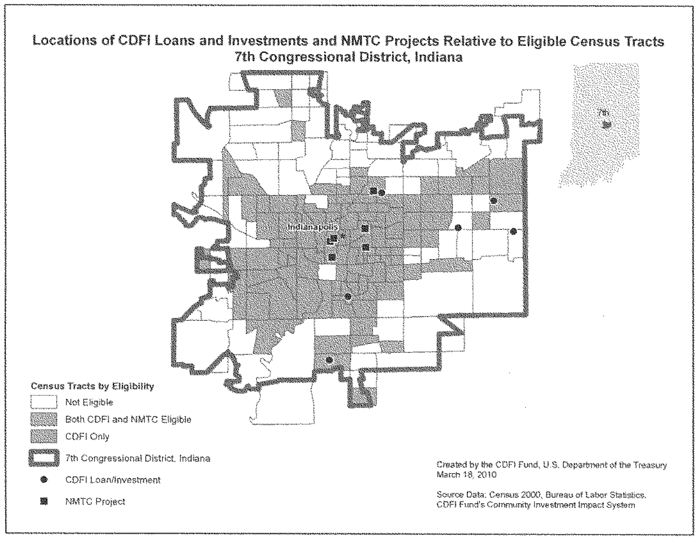
Clarion Federal Credit Union (Community Choice Federal Credit Union). Community Choice Federal Credit Union serves low-income areas in Indianapolis. The CDFI Fund's Financial and Technical Assistance grants awarded to Community Choice Federal Credit Union have permitted the credit union to expand services, provide financial education opportunities and assist members in making the most of their limited resources. With the CDFI Fund's support, the credit union significantly invested in technology, giving members' phone access to their account information. Prior to that, members could only conduct business during office hours, a significant barrier in this underserved market. Community Choice was also able to have marketing materials translated and produced for its growing Spanish-speaking population and perform outreach to an expanded field of membership, bringing services to the Martindale-Brightwood and Southeast communities.

CDFI Financial and Technical Assistance

CDFI	1999	Community Choice Federal Credit Union	$758,000
CDFI	1999	Indianapolis Neighborhood Housing Partnership, Inc.	$1,000 ,000
CDFI	2004	Community Choice Federal Credit Union	$50,000
Total			**$1,808,000**

Bank Enterprise Award

BEA	1998	Union Federal Bank	$513,871
BEA	1999	Union Federal Bank	$115,530
BEA	2001	Bank One, Indiana, N.A.	$605,000
BEA	2001	Union Federal Bank	$55,750
Total			**$1,290,151**



- In 2008, CDFIs reported on 27 loans in their portfolios, totaling $4.9 million made in Indiana. Of these, seven loans totaling $487,000 were in the 7th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 27 investments in Indiana that received $96 million in New Markets Tax Credit financing. In Indiana's 7th District, there have been nine investments that received $49 million in New Markets Tax Credit financing. These investments helped support commercial real estate developments, a manufacturing firm, a public radio station, a charter school and a community center.

Representative Travis Childers
CDFI Fund Award History in Mississippi's 1st District

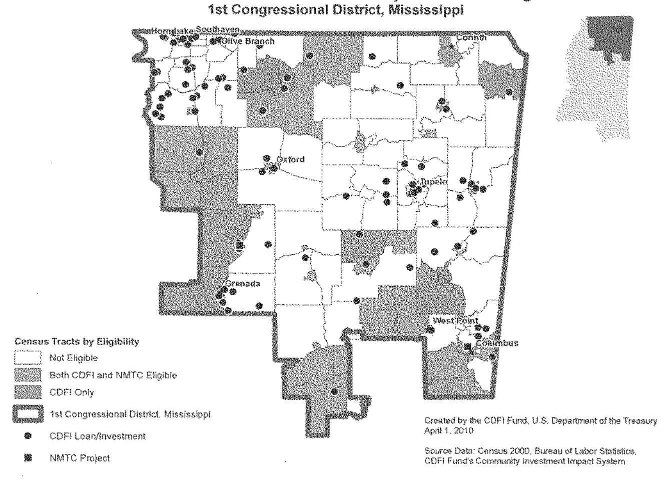
CDFI Example

The Enterprise Corporation of the Delta (ECD). The Enterprise Corporation of the Delta is one of the nation's leading CDFIs, providing affordable financial products and related services that help to address development hurdles in the states of Mississippi, Arkansas, Louisiana and the Greater Memphis area of Tennessee. ECD has received financial assistance awards from the CDFI Fund in 1996, 1998, 2000, 2002, 2005 and 2006 and NMTC allocations in 2002, 2006 and 2008. In 2004, ECD approved a loan to Access Family Health Services, Inc. (Access), a non-profit corporation that operates medical and dental clinics in Houlka, Tremont, and Smithville, Mississippi. The $326,400 loan enabled Access to purchase and renovate a dental clinic facility and to purchase needed equipment. The counties that Access serves are medically underserved/health professional shortage areas and include parts of Calhoun, Lafayette, Lee, Pontotoc, Union, Clay, Itawamba, Prentiss, Alcorn, Benton, and Monroe Counties. ECD offers loans ranging in size from $2,000 to over $2 million for microenterprises, community facilities, nonprofits, affordable housing developers, minority/women-owned companies, and other businesses that promote jobs, equity and strengthen communities. ECD also sponsors Hope Community Credit Union, which provides a range of financial products and services that meet the needs of low- and moderate-income residents in its four-state service area.

Bank Enterprise Award

BEA	2001	Peoples Bank of Senatobia	$3,750
Total			**$3,750**

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
1st Congressional District, Mississippi



- In 2008, CDFIs reported on 1,176 loans and investments in their portfolios, totaling $33 million made in Mississippi. Of these, 108 loans and investments, totaling $4.3 million were in the 1st Congressional District. These are depicted in the map provided.
- Through 2008 there have been 30 investments in Mississippi that received $75 million in New Markets Tax Credit financing. In Mississippi's 1st District, there have been two investments that received $788,000 in New Markets Tax Credit financing. These investments helped support a gas station and insurance business.

Representative Emanuel Cleaver
CDFI Fund Award History in Missouri's 5th District

CDFI Example

Central Bank of Kansas City (CBKC). CBKC is a certified CDFI and designated minority-owned financial institution that is committed to serving low-income communities in urban, northeast Kansas City. CBKC has received numerous Bank Enterprise Awards from the CDFI Fund for its support of affordable housing development, small business and commercial real estate to underserved areas of Kansas. CBKC has also used New Markets Tax Credit allocations from the CDFI Fund to provide equity investments and loans to support businesses, community facilities and housing, targeting real estate and businesses in highly distressed, underserved urban core neighborhoods of Kansas City, Kansas and urban areas throughout Missouri. CBKC also offers education and counseling to small business entrepreneurs, individual development accounts and targeted zero percent interest computer loans to community residents.

CDFI Financial and Technical Assistance

CDFI	1999	Housing & Economic Development Financial Corporation	$39,000
CDFI	2000	Missouri Family Credit Union	$40,000
CDFI	2004	Central Bancshares Of Kansas City, Inc.	$650,109
Total			**$729,109**

Bank Enterprise Award

BEA	1996	Central Bank of Kansas City	$99,869
BEA	1997	Central Bank of Kansas City	$83,808
BEA	1998	Central Bank of Kansas City	$585,555
BEA	1999	Central Bank of Kansas City	$372,927
BEA	2000	Central Bank of Kansas City	$191,010
BEA	2001	Central Bank of Kansas City	$940,611
BEA	2002	Country Club Bank, n.a.	$22,000
BEA	2003	Central Bank of Kansas City	$1,077,223
BEA	2004	Community Bank of Raymore	$60,000
BEA	2004	Country Club Bank, n.a.	$48,000

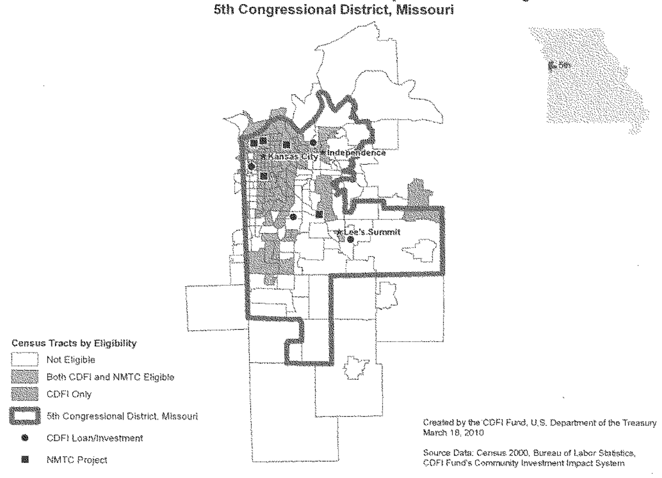
Bank Enterprise Award Continued

BEA	2005	Bank Midwest, N.A.	$66,000
BEA	2006	Central Bank of Kansas City	$500,000
BEA	2007	Central Bank of Kansas City	$489,169
BEA	2008	Bank Midwest, N.A.	$60,000
BEA	2008	Central Bank of Kansas City	$675,000
BEA	2008	Country Club Bank, n.a.	$60,000
Total			**$5,331,172**

New Markets Tax Credit Program

NMTC	2007	Central Bank of Kansas City	$50,000 ,000
NMTC	2007	Travois New Markets, LLC	$30,000 ,000
NMTC	2008	Kansas City, Missouri Community Development CDE	$40,000 ,000
NMTC	2009	Central Bank of Kansas City	$55,000 ,000
NMTC	2009	Kansas City, Missouri Community Development CDE	$35,000 ,000
NMTC	2009	Travois New Markets, LLC	$80,000 ,000
Total			**$290,000 ,000**

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
5th Congressional District, Missouri



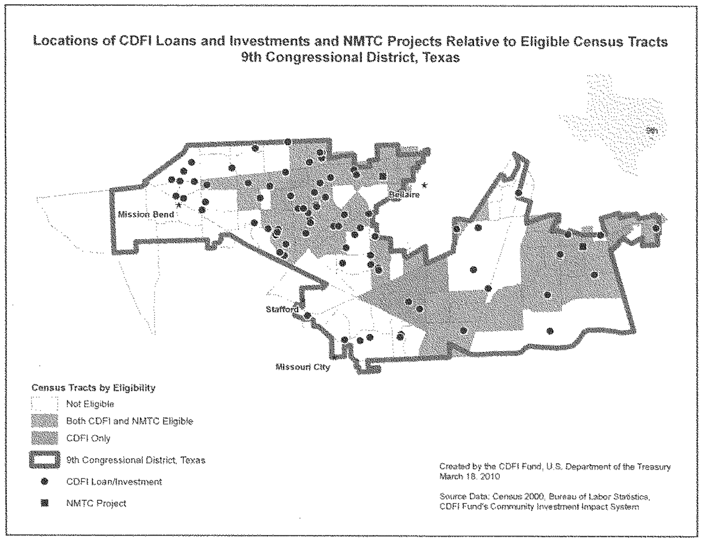
- In 2008, CDFIs reported on 43 loans in their portfolios, totaling $16.6 million made in Missouri. Of these, five loans totaling $109,000 were in the 5th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 129 investments in Missouri that received $420 million in New Markets Tax Credit financing. In Missouri's 5th District, there have been nine investments that received $27 million in New Markets Tax Credit financing. These investments have helped to support the development of commercial real estate and community development projects in Kansas City.

Representative Al Green
CDFI Fund Award History in Texas' 9th District

CDFI Investment Examples in the 9th District

Covenant Community Capital Corporation (Covenant). Founded in 1998, Covenant is a nonprofit organization in Houston, TX, that seeks to enhance the beauty, safety and economic vitality of low-income communities by increasing their capacity to develop affordable housing, grow business enterprises, and build family and community assets. The CDFI Fund has made several awards totaling $628,000 to CDFIs located in Houston, including a financial assistance award to Covenant in 1999. Covenant has enrolled over 600 account holders in its Smart Savings Account Program, a matched-savings account program designed to help low- to moderate-income families and individuals in Houston to establish a pattern of regular savings and, ultimately, purchase a "productive asset."

Community Reinvestment Fund, Inc. used a New Markets Tax Credit allocation from the CDFI Fund of $162.5 million to extend a loan of $554,000 to South Central Houston Action Council, a non-profit community action council. The loan enabled the Council to restructure their financing and to finance significant improvements to their community health center. The loan, which was closed in March 2006, strengthened the health care center's ability to meet its 8,700 patient encounters per year in an area where the median family income was 68 percent of the area median income and the unemployment rate was over two times the national rate. At the time if the loan, the location provided 18 jobs.



- In 2008, CDFIs reported on 1,037 loans in their portfolios, totaling $19 million made in Texas. Of these, 100 loans totaling $192,000 were in the 9th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 57 investments in Texas that received $230 million in New Markets Tax Credit financing. In Texas's 9th District, there have been three investments that received $12 million in New Markets Tax Credit financing. These investments helped support a childhood education center and healthcare center in Houston.

Representative Lynn Jenkins
Fund Award History in Kansas' 2nd District

CDFI Example

The Valued Advisor Fund, a subsidiary of Baker Tilly, used a $50,000,000 New Markets Tax Credit allocation from the CDFI Fund in 2005 to originate two loans of $1,675,000 and $7,880,000 to help finance a three-phase plan to revitalize the downtown area of Manhattan, Kansas. The loans which were made in 2006 enabled the city to continue with a comprehensive revitalization initiative that saw the reclamation of a brownfields site that had been a steel mill and the development of a commercial center, affordable and mixed housing, and the construction of a prairie museum and convention center. Designed to create a nexus of tourism and retail spaces, the project will result in 45,300 sq feet in space being built and the initial investment is anticipated to drive $150 million in additional investment. The project has resulted in 175 construction full-time jobs created and a total of 141 retail full-time jobs created. It is anticipated to generate $4.1 million in total employee compensate per year, with 99 percent of the positions available to low-income persons. The commercial space is currently fully occupied and the community is in the process of building the convention center and museum. The Valued Advisor Fund's principal mission is providing capital and other services to local entities so they have ongoing capacity to continue to serve their communities.

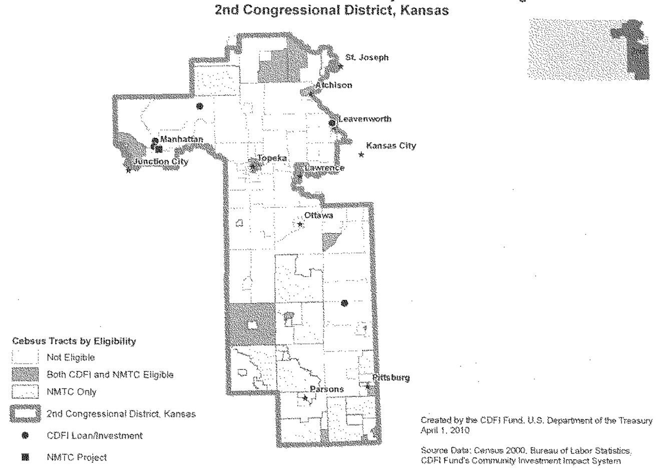
CDFI Financial and Technical Assistance

NACTA	2002	Prairie Band Potawatomi Nation	$25,000
Total			**$25,000**

Bank Enterprise Award

BEA	2002	MidAmerican Bank and Trust Company	$22,000
Total			**$22,000**

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
2nd Congressional District, Kansas



Created by the CDFI Fund, U.S. Department of the Treasury
April 1, 2010

Source Data: Census 2000, Bureau of Labor Statistics, CDFI Fund's Community Investment Impact System

- In 2008, CDFIs reported on seven loans and investments in their portfolios, totaling $14,000 made in Kansas. Of these, six loans and investments totaling $13,770 were in the 2nd Congressional District. These are depicted in the map provided.
- Through 2008 there have been three investments in Kansas that received $15 million in New Markets Tax Credit financing. In Kansas's 2nd District, there have been two investments that received $9.6 million in New Markets Tax Credit financing. These investments helped support real estate development in Manhattan.

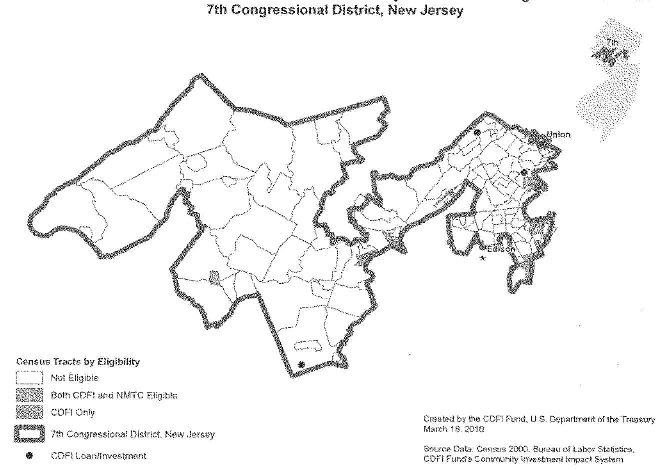
Representative Leonard Lance
CDFI Fund Award History in New Jersey's 7th District

CDFI Investment Examples in the 7th District

The Community Loan Fund of New Jersey, Inc. The Community Loan Fund of New Jersey (New Jersey Community Capital) has provided over $225 million in financing to underserved communities in the fields of affordable housing, early child centers, charter schools, and commercial and economic development initiatives. The Community Loan Fund of New Jersey closed two New Markets Tax Credit financings in 2007 utilizing $3.7 million of a New Markets Tax Credit allocation: $500 thousand enabling Little People At Work, a child care center located in Neptune, New Jersey, to purchase a permanent facility serving 150 students. It also used $3.25 million in conjunction with $38 million of tax credits provided by National Community Investment Fund, to allow Rutgers Business School in Newark, New Jersey to purchase a facility to educate its students, as well as rehabilitating a building that was in significant need of upgrading and modernization.

The Community Loan Fund of New Jersey also provided initial funding along with the Community Reinvestment Fund, which provided a portion of their New Markets Tax Credit allocation, for the Greater Brunswick Charter School. A free, independent public school located in New Brunswick, Greater Brunswick Charter School serves 293 children in kindergarten through eighth grade. Participating families come from three resident Districts: New Brunswick, Highland Park, and Edison, plus 12 other school Districts in Middlesex, Somerset, and Union counties. At the time, the school was at risk of losing its charter and had been in four different facilities. With the initial financing provided, the school was able to raise funding with a mainstream financial institution and purchase a 40,000 square foot facility for the school. As one of the first charter school facility financing transactions, this project was instrumental in jumpstarting the charter school facilities financing market in New Jersey.

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
7th Congressional District, New Jersey



- In 2008, CDFIs reported on 186 loans in their portfolios, totaling $79 million made in New Jersey. Of these, three loans totaling $720,000 were in the 7th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 65 investments in New Jersey that received $268 million in New Markets Tax Credit financing. There were no NMTC investments in the 7th District.

Representative Brad Miller
CDFI Fund Award History in North Carolina's 13th District

CDFI Example

The Raleigh Area Development Authority (RADA). RADA is a certified CDFI created in 2005 that is focused on meeting the economic development needs of the City of Raleigh's most distressed neighborhoods. An important part of RADA's strategy is preservation of local ownership of real estate and small businesses among low- and moderate-income residents, as well as in the creation of new public facilities. RADA used recent Technical Assistance awards from the CDFI Fund to save a historically significant property, owned by the family of the late Reverend John W. Ligon, an important community leader and educator. In addition to making a loan to correct significant code violations, RADA worked with the City of Raleigh to change the use of the property so that it could be made available for lease to non-profit organizations that focus on meeting important community needs. Reverend Ligon's granddaughter, Joy Moore, came up with the idea of making the property an asset and intricate part of the community. With hopes of improvement and uplifting the Southeast Raleigh community it calls home, the family decided the house would be best used by a non-profit organization that will feed back into the neighborhood.

CDFI Financial and Technical Assistance

CDFI	2006	Raleigh Area Development Authority	$100,000
CDFI	2008	Raleigh Area Development Authority	$99,035
Total			**$199,035**

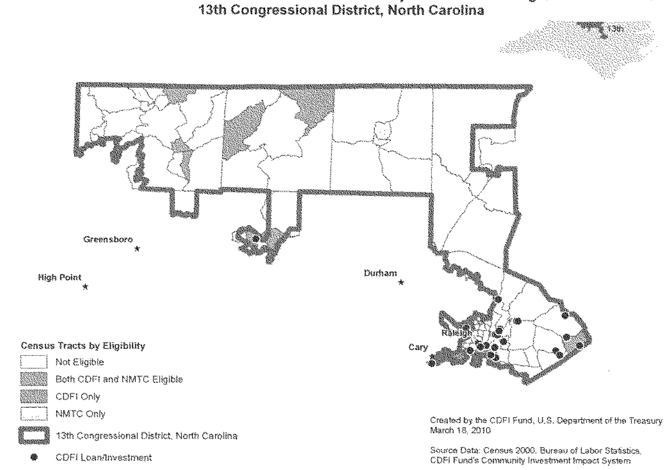
Bank Enterprise Award

BEA	1998	Wachovia Bank, N.A.	$550,000
BEA	2000	First Citizens Bank & Trust Company	$550,000
BEA	2000	Wachovia Bank, N.A.	$1,100,000
Total			**$2,200,000**

New Markets Tax Credit Program

NMTC	2009	CAHEC New Markets, LLC	$30,000 ,000
Total			**$30,000 ,000**

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
13th Congressional District, North Carolina



- In 2008, CDFIs reported on 3,634 loans in their portfolios, totaling $40.8 million made in North Carolina. Of these, 30 loans totaling $509,000 were in the 13th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 49 investments in North Carolina that received $295 million in New Markets Tax Credit financing. In North Carolina's 13[th] District, there have been two investments that received $1.9 million in New Markets Tax Credit financing. These investments have helped to support the construction of an office building in Greensboro.

Representative Dennis Moore
CDFI Fund Award History in Kansas' 3rd District

CDFI Example

Marshall & Ilsley Bank (M&I Bank), based in Minneapolis, Minnesota used a $75 million New Markets Tax Credit allocation from the CDFI Fund to originate a $5 million loan to finance the development of a new facility for the State of Kansas Department of Social and Rehabilitative Services in Kansas City, Kansas. The loan, which was closed in 2007, enabled the development of a new office building for the Department to provide comprehensive human service needs for citizens in whole state, with a primary focus on Wyandott County. The facility houses services in the following areas: domestic violence referrals, assessments for drug and alcohol treatment, seniors referrals for SSI benefits, child abuse prevention and autism awareness services, low-income energy assistance, food stamp program, earned income tax program, child support payment program, as well as temporary assistance to needy families. With a total project cost of $16.5 million, the facility currently employs over 200 people.

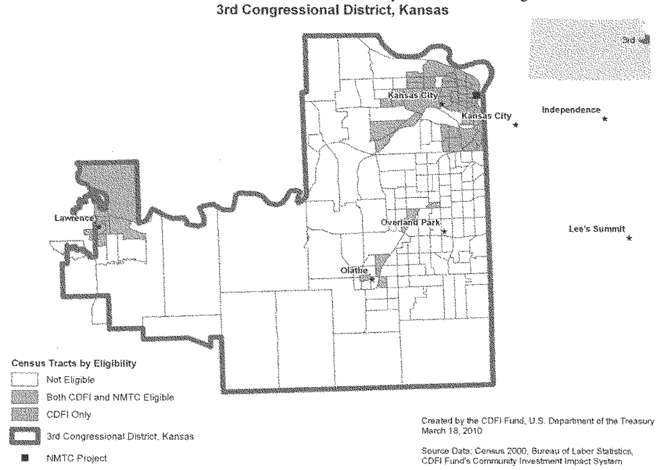
CDFI Financial and Technical Assistance

CDFI	1996	Douglass National Bank	$1,903,000
Total			**$1,903,000**

Bank Enterprise Award

BEA	1999	Bank of Blue Valley	$33,000
BEA	1999	Douglass National Bank	$198,000
BEA	2000	Douglass National Bank	$468,900
BEA	2000	First State Bank of Kansas City	$40,399
BEA	2001	First National Bank of Kansas	$20,900
BEA	2001	First State Bank of Kansas City	$110
BEA	2002	Douglass National Bank	$330,000
BEA	2004	Douglass National Bank	$885,438
BEA	2005	Douglass National Bank	$500,000
BEA	2005	First National Bank of Kansas	$17,400
BEA	2006	First National Bank of Kansas	$12,600
Total			**$2,506,747**

**Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
3rd Congressional District, Kansas**



- In 2008, CDFIs reported on seven loans in their portfolios, totaling $14,000 made in Kansas. None of these loans were in the 3rd Congressional District.
- Through 2008 there have been three investments in Kansas that received $15 million in New Markets Tax Credit financing. In Kansas's 3rd District, there has been one investment that received $5 million in New Markets Tax Credit financing. This investment helped support the development of an office building in Kansas City.

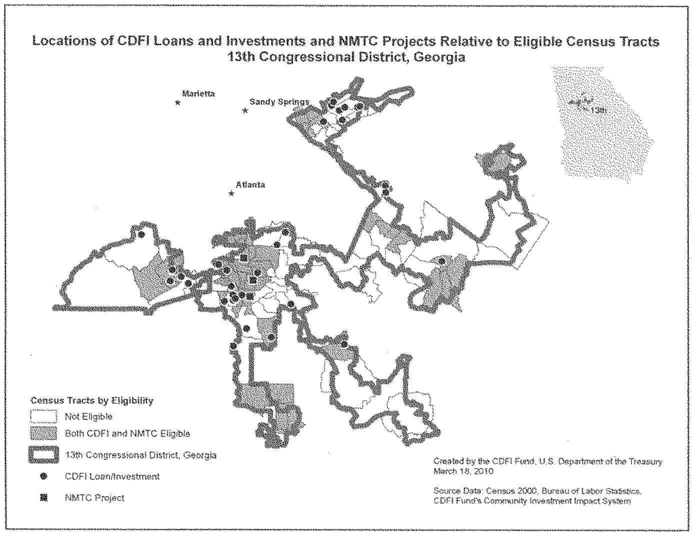
Representative David Scott
CDFI Fund Award History in Georgia's 13th District

CDFI Investment Examples in the 13th District

Community Reinvestment Fund, Inc. used a New Markets Tax Credit allocation to extend a loan of $542,500 to the non-profit, Making Our Way Better, a family development center in Union City, Georgia. The loan, which was closed in June 2006, allowed Making Our Way Better to purchase a campus to house a family development and resource center for families and troubled children. The investment created 25 jobs, for a total of 33 full-time jobs at the campus. Founded in 1996, Making Our Way Better provides services in job training and placement, career development, health management and life skills, primarily through referrals from Fulton County Family Development and Prevention Center. The organization had been leasing the facility and used this loan and other financing to purchase a five-building complex for a total project cost of $1,550,000.

Southwest Georgia United Empowerment Zone, Inc. A certified CDFI in operation since 1994, Southwest Georgia United Empowerment Zone, Inc. serves a designated rural Empowerment Zone located in Crisp and Dooly Counties in southwest Georgia. Southwest Georgia United currently provides microenterprise loans small business loans and affordable housing construction and renovation loans typically at below-market rates and with flexible terms. The organization provides a wide array of development services, including financial analysis, project development, project planning, negotiation, cost estimation, financial counseling, housing counseling, and logistical support of affordable housing and community development construction projects.

Southwest Georgia United is using a 2009 financial assistance award as lending capital and for capacity development. Recent successes using these funds include a $47,297 loan and technical assistance to improve the management and ensure sustainability of the St. Paul Learning Center; a $40,000 loan to a very low-income family, which allowed them to purchase a primary residence; a $16,375 loan to provide renovations on homes to provide decent, affordable residences for three families: one very low-income, one low-income, and one moderate-income; and a down payment assistance loan of $5,000 , which allowed a moderate-income family to close on the purchase of a house. Due to the participation of the bank doing the primary financing, the $5,000 in CDFI funds leveraged approximately $117,000 in private funds.



- In 2008, CDFIs reported on 217 loans in their portfolios, totaling $18 million made in Georgia. Of these, 48 loans totaling $431,000 were in the 13th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 16 investments in Georgia that received $111 million in New Markets Tax Credit financing. In Georgia's 16th District, there have been four investments that received $30 million in New Markets Tax Credit financing. These investments helped support a retail store, the development of commercial real estate and an organization that provides support services to disadvantaged persons.

Representative Maxine Waters
CDFI Fund Award History in California's 35th District

CDFI Example

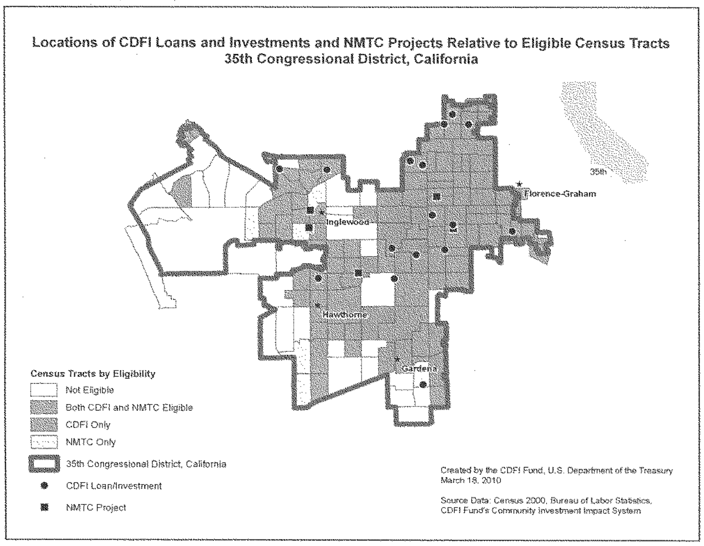
Community Financial Resource Center (CFRC). CFRC is a non-profit CDFI dedicated to providing low-cost financial services, counseling and quality community development programs to enhance the economic wealth and capacity of the residents and businesses in disinvested areas of Los Angeles. CFRC has received several CDFI Fund Financial and Technical Assistance awards. CFRC used one award to support small business development and technical assistance programs. The award served as a catalyst for raising significant additional funding into its loan syndication program that provided the lending capacity for it to make loans from 2002-2006. Additionally, the award made it possible to extend more favorable terms and lowered the cost of its overall financing structure. Without the initial award, CFRC would not have been able to provide the level of services that it currently does today.

CDFI Financial and Technical Assistance

SECA	1998	Inglewood Neighborhood Housing Services, Inc.	$43,000
CORE	1999	Inglewood Neighborhood Housing Services, Inc.	$1,300,000
CORE	2000	Los Angeles Community Reinvestment Committee d.b.a CFRC	$1,250,000
SECA	2000	Los Angeles Community Reinvestment Committee d.b.a CFRC	$26,000
TA	2005	Los Angeles Community Reinvestment Committee d.b.a CFRC	$50,000
Total			**$2,669,000**

Bank Enterprise Award

BEA	1999	Imperial Bank	$26,850
Total			**$26,850**



- In 2008, CDFIs reported on 11,538 loans in their portfolios, totaling $323 million made in California. Of these, 18 loans totaling $3.9 million were in the 35th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 361 investments in California that received $1.1 billion in New Markets Tax Credit financing. In California's 35th District, there have been 10 investments that received $20 million in New Markets Tax Credit financing. These investments helped support small businesses, real estate development and a charter school.

Representative Melvin L. Watt
CDFI Fund Award History in North Carolina's 12th District

CDFI Example

First Legacy Community Credit Union (School Workers Federal Credit Union). School Workers Federal Credit Union was chartered in 1941 with a mission to serve employees of Charlotte's black school system and their families who had few options for financial services under segregation. The organization that has since become First Legacy had 6,426 members and nearly 9,329 accounts totaling $21.7 million in deposits in 2008. First Legacy has received several Financial and Technical Assistance Awards from the CDFI Fund. These awards have been used to help implement technology enhancements to its existing product line to provide broad access to the credit union by members. The debit cards and other technology improvement that resulted have positioned First Legacy to be competitive with other financial institutions in the area.

CDFI Financial and Technical Assistance

CDFI	1996	School Workers Federal Credit Union	$150,000
CDFI	1998	Charlotte-Mecklenburg Housing Partnership, Inc.	$25,000
CDFI	1999	Charlotte-Mecklenburg Housing Partnership, Inc.	$1,100,000
CDFI	1999	School Workers Federal Credit Union	$1,550,000
CDFI	2000	School Workers Federal Credit Union	$150,000
CDFI	2000	School Workers Federal Credit Union	$58,000
CDFI	2001	Charlotte-Mecklenburg Housing Partnership, Inc.	$700,000
CDFI	2003	Charlotte-Mecklenburg Housing Partnership, Inc.	$500,000
CDFI	2004	School Workers Federal Credit Union	$57,866
CDFI	2009	School Workers Federal Credit Union	$2,000 ,000
Total			**$6,290,866**

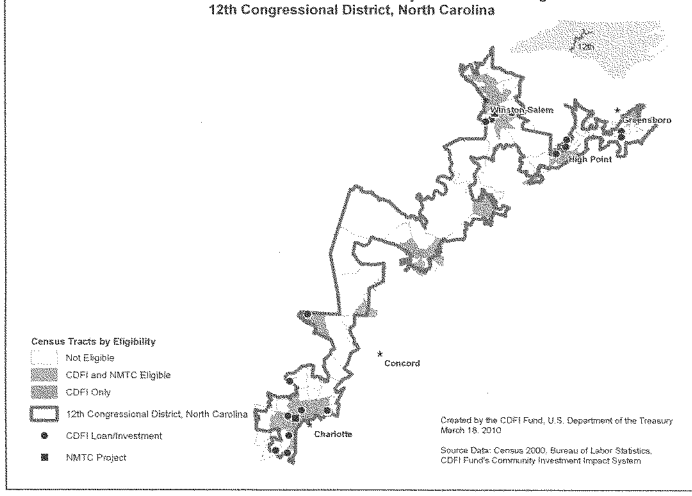
Bank Enterprise Award

BEA	1996	NationsBank, N.A.	$1,614,690
BEA	1997	NationsBank, N.A.	$754,600
BEA	1998	NationsBank, N.A.	$1,252,500
BEA	1998	Wachovia Bank, N.A.	$2,154,900
BEA	1999	NationsBank, N.A.	$5,104,263
BEA	2000	Branch Banking and Trust Company of South Carolina	$125,517
BEA	2000	Wachovia Bank, N.A.	$3,350,500
BEA	2002	Wachovia Bank, N.A.	$1,636,375
BEA	2003	Wachovia Bank, N.A.	$91,200
BEA	2005	Wachovia Bank, N.A.	$500,000
Total			**$16,584,545**

New Markets Tax Credit Program

NMTC	2002	Wachovia Community Development Enterprises, LLC	$150,000 ,000
NMTC	2005	Wachovia Community Development Enterprises, LLC	$90,000 ,000
NMTC	2006	Wachovia Community Development Enterprises, LLC	$143,000 ,000
NMTC	2007	Wachovia Community Development Enterprises, LLC	$105,000 ,000
Total			**$488,000 ,000**

Locations of CDFI Loans and Investments and NMTC Projects Relative to Eligible Census Tracts
12th Congressional District, North Carolina



- In 2008, CDFIs reported on 3634 loans in their portfolios, totaling $40.8 million made in North Carolina. Of these, 34 loans totaling $3.8 million were in the 12th Congressional District. These are depicted in the map provided.
- Through 2008 there have been 49 investments in North Carolina that received $295 million in New Markets Tax Credit financing. In North Carolina's 12th District, there have been five investments that received $21 million in New Markets Tax Credit financing. These investments helped support a charter school and a mixed-use, office-school development.

Methodology

Data is from the CDFI Fund's geocoded mapping CDFI file, where data when possible[8] was geocoded to a Congressional District.

1. Because this is portfolio data and because many CDFIs use CDFI Fund awards to support things like loan loss reserves, loan pools, etc. there is no way to link specific loans to CDFI Fund grants.
2. The data are on the entire portfolio of a CDFI, not just transactions in the Congressional District where the CDFI is headquartered. These transactions included all that were outstanding at any point during 2008. These loans could have originated in any year (including before the CDFI received an award and even, in some cases, before the CDFI Fund was created).
3. The data are from 2008 transaction-level reports (TLR) only. Banks (and some credit unions) do not report TLR data, but instead report cumulative totals on the Institutional-level reporting, but this cannot be broken down by District (or even State).
4. The data are for geocodeable TLR transactions only. Up to a third of the transactions are not geocodeable due to lack of/or problem addresses.[9] Non-geocoded data cannot be easily mapped, and thus cannot be easily matched to a Congressional District.
5. Because data are based on each CDFI's total portfolio, which includes both CDFI Fund grants and other sources, it is expected that loans reported may not all be necessarily in qualifying census tracts.

[8] There were 90,074 incidents of transaction-level data reported by CDFIs; of this, 59,538 transactions were geocodeable to the Congressional District.

[9] This is particularly true in the case of CDFI Financial and Technical Assistance awards.

Community Development Financial Institutions Fund
U.S. Department of the Treasury
April 16, 2010

The U.S. House of Representatives' Committee on Financial Services on March 9, 2010 conducted a hearing, "Community Development Financial Institutions (CDFIs): Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities." Two panels were convened: the first panel consisted of U.S. Department of the Treasury officials and the second panel consisted of CDFI practitioners. These practitioners were:

- Mr. William Bynum, Chief Executive Officer and President, HOPE Community Credit Union & Enterprise Corporation of the Delta;
- Mr. L. Ray Moncrief, Executive Vice President & COO, Kentucky Highlands Investment Corporation;
- Ms. Janie Barrera, President and Chief Executive Officer, ACCION Texas;
- Ms. Dorothy Bridges, President and Chief Executive Officer, City First Bank of DC; and
- Ms. Tanya Fiddler, Vice President, Programs & Operations, First Nations Oweesta, Cheyenne River Reservation.

Also included on the panel was Ms. Judith A. Kennedy, President and Chief Executive Officer, National Association of Affordable Housing Lenders.

Each panelist provided written testimony prior to the hearing and these documents included specific proposals regarding how to improve and change elements of the CDFI Fund, as well as other suggestions. Some of these suggestions require Congressional action and others were more administrative in nature.

This document addresses the panelists' suggestions by topic rather than each individual suggestion since several panelists offered the same or similar suggestions.

Background

The Community Development Financial Institutions Fund (CDFI Fund) was created by the Riegle Community Development and Regulatory Improvement Act of 1994 for the purpose of promoting economic revitalization and community development through investment in and assistance to CDFIs. The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

The CDFI Fund achieves its purpose by promoting access to capital and local economic growth through: (1) CDFI financial and technical assistance awards, thereby directly investing in, supporting and training CDFIs that provide loans, investments, financial services and technical assistance to underserved populations and communities; (2) allocations of New Markets Tax Credit (NMTC) authority to community development entities, thereby attracting investment from the private sector and facilitating their reinvestment in low-income communities; (3) Bank Enterprise Awards (BEA), thereby providing an incentive to banks to invest in their communities and in other CDFIs; (4) Native Initiatives including Native American CDFI Assistance (NACA) awards, thereby providing financial assistance, technical assistance and training to Native CDFIs and other Native entities proposing to become or create Native CDFIs; (5) Capital Magnet Fund (CMF) awards, thereby providing financial assistance grants to CDFIs and nonprofit housing developers for the purpose of attracting private capital and increasing investment in affordable housing and related activities; and (6) Financial Education and Counseling (FEC) Pilot awards, thereby providing grants to organizations to provide innovative and replicable financial education and counseling services for prospective homebuyers.

Suggestions from Panelists Regarding the CDFI Fund Statute

Suggestion: Panelists suggested that the CDFI Fund adjust the funding schedule for the CDFI financial and technical assistance awards to allow for more frequent distribution than annually and to modify restrictions and caps to better accommodate proven performers.

CDFI Fund Comments: On March 2, 2010, the CDFI Fund released a request for public comments on its authorizing statute. The CDFI Fund is undertaking a holistic review of its statute, looking not only at technical and substantive revisions to existing provisions, but also at provisions that have not yet been exercised. Comments are due on or before May 7, 2010.

As part of that process, the CDFI Fund is asking past awardees and applicants, community development finance trade groups and the general public to provide written comments that will be used to formulate future policy and legislative proposals that will increase support to CDFIs. In addition, the CDFI Fund is holding listening sessions across the country to discuss community economic development challenges with CDFIs and to get insight first-hand from the communities they serve. The process will be comprehensive, drawing upon the perspectives of everyone within the organization as well as stakeholders outside of it.

While the request for comments does not specifically address the frequency of award disbursement, the CDFI Fund encourages all comments and hopes the panelists will submit comments regarding this suggestion. The request for comments does address the suggestion of modifying award restrictions and the cap ($5 million over three years with a few exceptions) to better accommodate proven performers through the question, "Should CDFI Fund award amounts have a cap or should award amounts be based on merit and availability?"

Suggestion: One panelist suggested that the CDFI Fund establish a loan guarantee fund for CDFI intermediaries and another suggested the CDFI Fund offer credit enhancement products that would provide access to additional capital markets for CDFIs.

CDFI Fund Comments: The request for comments discusses the flexibility in the types of financial assistance that the CDFI Fund can provide to CDFIs and seeks comments regarding the recent growth of CDFIs, asking if CDFIs should "graduate" from financial assistance, and if so, should the CDFI Fund provide other funding mechanisms for these groups, such as low-interest loans. While the CDFI Fund does not have the authority to establish a loan guarantee because it is not in the statute, the CDFI Fund did request comments about whether there is a need for a federal loan guarantee program through the question, "Is there a need for a CDFI federal loan guarantee and if so how would it be structured?"

Suggestion: The targeting of "CDFI Partners" eliminated many community development entities with demonstrated capacity in building sustainable communities. These restrictions include retroactive tests, enormous prospective commitments, and funding priorities for what the CDFI Fund thinks is needed, rather than what the local market needs. Institutions and organizations serving distressed communities should have an equal opportunity to participate in the program.

CDFI Fund Comments: The request for comments included several questions about the Bank Enterprise Awards, which is the initiative that the commenter is discussing. One of the questions gets to the heart of the suggestion, "Should the definition of integrally involved [for CDFI Partners] be changed?" The CDFI Fund encourages the panelist to provide written comments with more detail and examples of how this has limited participation in the award process.

Suggestion: Several panelists discussed the CDFI Fund's requirement of a funding match and refinements and suggestions included: (1) reflect the current weak condition of capital and philanthropic markets that are expected to take many years to fully recover; (2) give the CDFI Fund the authority to waive or adjust the matching funds requirements in times of economic distress; (3) make the form of matching funds more flexible; (4) expand the timing for raising the matching funds; (5) allow equity investments made by the CDFI Fund into certified banks and thrifts to be considered as regulatory Tier 1 capital; (6) the CDFI Fund should allow applicants to match the CDFI Fund's grant with their own funds.

CDFI Fund Comments: The request for comments discusses matching funds including the requirement for "comparable form and value." Specific questions relating to this issue include:

- "Does the dollar-for-dollar matching funds requirement restrict a CDFI's ability to apply for a financial assistance award? If so, what should be the matching funds requirement?"
- "Should the matching funds continue to be restricted to comparable form and value or should any type and source of funding be allowed as matching funds?"
- "The statute provides certain exceptions to the matching funds requirement and provides the CDFI Fund the flexibility to reduce the match requirement by 50 percent in certain circumstances. Is this appropriate?"

- "The statute allows the applicant to provide matching funds in a different form if the applicant has total assets of less than $100,000; serves nonmetropolitan or rural areas; and is not requesting more than $25,000 in assistance. Should this provision apply to all applicants? Should the asset size and assistance request be increased?"

Suggestion: One panelist suggested that the definition of a CDFI is too narrow, excluding many mission-driven nonprofit organizations across the country that are doing great community and economic development work. Another panelist suggested that financial and technical assistance awards should support the full range of CDFI institutions types, claiming that the statute and selection process have unintentionally resulted in some CDFI types having a competitive disadvantage in applying for awards.

CDFI Fund Comments: The request for comments addresses both these issues through a variety of questions. Among those questions regarding the definition of a CDFI are:

- "Are there types of CDFIs that are prohibited from certification because of the criteria; if so, what changes are needed?"
- "Should institutional diversity be a priority of the CDFI Fund?"

The request addresses the need to support the full range of CDFI institutions types through the following questions:

- "Should the CDFI Fund designate a specific amount of funding for regulated depository institutions separately from loan funds and venture capital funds? If so, what proportion of the funding should be designated for CDFI banks and CDFI credit unions? If a special amount is not designated, what can the CDFI Fund do to achieve institutional diversity?"
- "Are there changes the CDFI Fund could make to the Financial and Technical Assistance awards that would make it more accessible or beneficial to certified CDFI banks?"

Suggestion: In order to ensure future success, one panelist suggested that the Native Initiatives should be given a permanent place in the CDFI Fund's authorizing statute.

CDFI Fund Comments: The request for comments reviews the funding history of the CDFI Fund's Native Initiatives and describes current efforts through its award vehicle, the Native American CDFI Assistance (NACA) initiative. While the Native Initiatives are not addressed in the statute but have instead been implemented via annual appropriations, the CDFI Fund requested comments about whether it should seek statutory authority to make NACA awards permanent and provided an opportunity for comments regarding improvements and other services that the CDFI Fund should provide Native communities.

Suggestion: One panelist suggested the Community Development Advisory Board should include representatives from each major type of CDFI (e.g., banks and thrifts, credit unions, loan funds, venture, and micro-lending) to ensure the CDFI Fund receives input that will enable it to effectively serve the entire industry. The statute currently does not allow the Advisory Board to achieve this balance.

CDFI Fund Comments: The request for comments devotes an entire section to the general requirements of the Advisory Board and inquires whether the composition of the Advisory Board is adequate to address CDFI needs, including diversity. It asks if additional federal agency/regulatory representation is needed and if prior community development knowledge is needed, among other questions.

Suggestion: One panelist suggested that Congress should update the Capitalization Assistance to Enhance Liquidity provision in the CDFI Fund's authorizing statute. It was suggested that this include elimination of the award cap, matching funds and restrictions on participation in other CDFI Fund initiatives in order to grow CDFI liquidity enhancement tools and infrastructure organizations to a sufficient scale to be effective. The eligible uses of funds should also be sufficiently flexible to support a variety of strategies and applicants.

CDFI Fund Comments: There are two provisions in the CDFI Fund authorizing statute that have yet to receive appropriations. The CDFI Fund agrees that both initiatives will need technical changes to make them work in these current times, and devotes two sections in the request for comments to address them:

- **Capital Assistance to Enhance Liquidity.** The statute that authorizes the CDFI Fund contains a section that allows the CDFI Fund to award appropriated funds as grants to community development organizations to purchase loans or enhance the liquidity of CDFIs. The CDFI Fund is seeking comment about whether the initiative is needed and if changes are necessary to the statute to make it a viable liquidity enhancement vehicle for CDFIs.
- **Small Business Capital Enhancement Program.** In brief, this is a national capital access program (CAP) that, if appropriated funds are made available, establishes a loan loss reserve for small business lending. Funding would be provided to States that have current CAPs and have funding available. The CDFI Fund is seeking comments to determine if there is a need for this program, whether it be revised to make it more effective, and if there are other program ideas better suited to CDFIs and America's small businesses.

Suggestions from Panelists Regarding CDFI Fund Administration and Funding

Suggestion: Streamline the CDFI Fund's financial assistance application.

CDFI Fund Comments: The CDFI Fund agrees with this comment and, to that end, has already made several changes to the FY 2011 Financial and Technical Assistance award application that will be beneficial to those CDFIs applying for awards. Improvements to the application include:

- The application is almost 40 percent shorter than in the past. The previously 40-page document is now only 25 pages.
- In previous applications, CDFIs applying for awards were required to provide extensive information in narrative form; the FY 2011 application is streamlined by gathering much of the same information using charts and tables.
- A fillable PDF form will be used to make the application form much more user friendly and easier to complete the template.
- An application resource guide is included with the application that contains the answers to many frequently asked questions and specific instructions for applicants about how to complete the application.

Suggestion: Give greater priority for CDFI funding to areas of high economic distress: Congress and the CDFI Fund should give higher priority for New Markets Tax Credit and CDFI Fund awards to communities with extraordinary levels of distress such as certain rural communities, communities with high poverty, job loss, etc. Consideration should be given to allocating additional funds for this purpose, in a manner similar to the supplemental NMTC allocation made following Hurricane Katrina.

CDFI Fund Comments: The CDFI Fund agrees with the panelists and for FY 2011, the CDFI Program will prioritize applicants serving the nation's most distressed communities. The distressed areas will be identified by using Home Foreclosure and High Cost Mortgage Data (HUD 2007) and Census Bureau, Small Area Income and Poverty Estimates, which collects and produces housing information annually based on U.S. Census data.

Suggestion: The CDFI Fund should develop strategies to streamline and reduce the paperwork burden for CDFI certification and amend some of the eligibility tests to better take into consideration distinctions in the business models, capital structures and operating environments of different types of CDFIs.

CDFI Fund Comments: The CDFI Fund agrees with the panelist and has already implemented a streamlined CDFI Recertification application, which now focuses on material changes since the CDFI's most recent certification submission. The streamlined CDFI Recertification application allows the CDFI to indicate that certain documentation is the same as was provided with its most recent certification submission, thus reducing the paperwork burden for the CDFI.

The CDFI Fund allows CDFI Certification and Recertification applicants to estimate the data provided in its "Target Market Table" (e.g., the data that demonstrates the portion of the applicant's activities that are directed to the target market). If an applicant chooses to provide estimated data, however, it must provide a reasonable methodology for how the estimated data was derived. The CDFI Fund also allows certified CDFIs the ability to modify its certified target market at any time.

The CDFI Fund has instituted monthly CDFI Certification question and answer conference calls to respond to specific questions about CDFI Certification topics to better personalize the certification process to each CDFI's needs. CDFI Fund staff is always available to answer questions and contact information can be found at http://www.cdfifund.gov/who_we_are/contacts.asp.

Suggestion: The targeting of awards to CDFI Fund designated "Hot Zones" eliminated significant markets, including the rural or non-metro counties of many states, and low-income and low-wealth people living outside areas with concentrated poverty.

CDFI Fund Comments: Designated "Hot Zones" were used by the CDFI Fund from 2001 until 2005. The CDFI Fund agrees that the use of "Hot Zones" did not provide enough flexibility to cover many of the nation's lowest-income communities and people. For this reason, the CDFI Fund no longer uses these criteria. The FY 2005 funding round was the last year that Hot Zones were used as criteria.

Suggestion: The rules need to be updated to recognize the importance of leveraging and eliminate any impediment for funding for mid- to large-sized CDFIs. It is worth noting that private capital leverages public subsidy for affordable rental housing as much as 10-25 times.

CDFI Fund Comments: CDFIs are required by statute to match dollar-for-dollar any CDFI Fund financial assistance award. The leverage rate has fluctuated over the years, but the average is about $13 to $1. During the current economic downturn, Congress waived the matching requirement for FY 2009 and FY 2010, so the CDFI Fund expects the leverage to be less than previous years. The Administration is not proposing a waiver of the match for FY 2011, so we expect that the average leverage will be approximately $10 to $1 for FY 2011. The Capital Magnet Fund, which is open to both certified CDFIs and affordable nonprofit housing developers, has a required leverage of $10 to $1.

Suggestion: CDFI Fund application decisions should reflect a loan fund's track record in "Main Street" lending. CDFI applications are considered an art, not a science, with the result that consultants charge up to $30,000 to complete the forms. Unsuccessful applicants often complain that the CDFI Fund gives less consideration to a CDFI's actual track record than to the applicant's narrative. Substantive measures of success could reduce the perceived bias in funding decisions.

CDFI Fund Comments: As stated previously, the CDFI Fund has completely revised its financial assistance application form for FY 2011. The new application will allow applicants to show the types of products they offer, getting credit for all of the lending they do in addition to their community development impacts. The form has also been revised to drastically cut down on the narrative portions of the application and instead relies on a chart/table format.

Suggestion: Two panelists suggested increasing FY 2011 funding for the CDFI Fund. One panelist suggested an increase to $300 million. Another panelist suggested that in the event there are any new stimulus or jobs bills this year, Congress should include additional supplemental appropriations to the CDFI Fund.

CDFI Fund Comments: The Administration and Congress together have demonstrated strong support for CDFIs. The President recently signed into law the Consolidated Appropriations Act for 2010, which provides $247 million for the CDFI Fund, a 131 percent increase from the pre-Recovery Act 2009 CDFI Fund budget.

For FY 2011, a slight budget increase for CDFIs is included bringing the funding proposal to $250 million and includes new initiatives to help stimulate job growth, provide healthy foods for communities in need, and encourages all Americans to save and have access to credit. The President's budget shows strong support for the CDFI Fund and will enable it to continue providing critical resources to low-income, underserved communities. The recent budget increases have enabled the CDFI Fund to extend its reach and impact during this challenging economic climate.

Suggestions from Panelists Regarding CDFIs and the Community Development Capital Initiative (CDCI)

Suggestion: Three panelists suggested that TARP funds be made available to non-depository CDFIs. CDFI banks, CDFI credit unions and CDFI loan funds each deploy substantial, unique and critical services in distressed communities. Several viable proposals have been put forth by the CDFI industry that would responsibly make TARP funds available to non-depository CDFIs.

CDFI Fund Comments: The Administration and Treasury continue to actively explore ways to increase access to liquidity for CDFI loan funds to foster more lending to small businesses. Any proposal put forward must safeguard taxpayers' interests. As part of the Administration's ongoing commitment to improving access to credit for small businesses, Treasury announced on February 3rd final terms for the Community Development Capital Initiative, which is available to CDFI banks, thrifts and credit unions. Treasury has created a simple application process that is available to CDFIs. A one-page application has been developed by the federal banking and credit union agencies, working in consultation with Treasury, which is available on Treasury's website.[1]

[1] Applications are found at http://www.financialstability.gov/roadtostability/comdev.html.

Suggestions from Panelists Regarding CDFI Access to Other Federal Resources

Suggestion: One panelist suggested that given the vital and unique role that CDFIs play in providing financial services to communities with the highest need, it stands to reason that CDFIs should have access to federal resources and programs on par with traditional financial institutions. In addition to the Federal Home Loan Bank, CDFIs should be eligible for capital and credit enhancement programs offered by USDA, SBA, HUD, Commerce and other agencies, and should be fully utilized by these agencies in their efforts to provide services to distressed people and places. These efforts should include depository and non-depository CDFIs. Because several agencies are represented on the Community Development Advisory Board, this body could help facilitate this collaboration.

CDFI Fund Comments: CDFIs play a critical role in providing financial services to communities most in need. The CDFI Fund agrees that there must be interagency cooperation wherever there is a cross-over in services and programs. The CDFI Fund is actively pursuing opportunities for interagency cooperation and to expand access for certified CDFIs to federal resources.

There are significant opportunities for coordination of services and programs that will enhance the provision of federal development resources to our underserved communities. CDFIs represent a class of institutions that are uniquely qualified as intermediaries between low-income communities and federal agencies with developmental mandates. Integrating the strengths of these organizations into federal services and programs wherever there is scope for cross over will more effectively leverage resources, with a potential multiplier effect on economic and community development outcomes.

With several key agencies represented on its Community Development Advisory Board, the CDFI Fund is utilizing this body to facilitate collaboration, integrate services and expand access for CDFIs to federal resources such as capital and credit enhancement programs offered by USDA, SBA, HUD, Commerce and other agencies.

The CDFI Fund announced a new strategic partnership in FY 2010 with the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) Program to address key tax issues that disproportionately affect low-income people. Under the partnership, CDFIs nation-wide host VITA sites where trained community volunteers offer free tax return preparation assistance, help identify special credits and combat predatory practices such as refund anticipation loans. The CDFI Fund also hosts VITA staff at its workshops across the country.

Suggestions from Panelists Regarding CDFI Fund Initiatives

Suggestion: Restore funding for the CDFI Fund Bank Enterprise Awards.

CDFI Fund Comments: The CDFI Fund is proposing not to fund the Bank Enterprise Award (BEA) in FY 2011. Treasury will undertake a careful review of the impact of FY 2010 funding, and future resource decisions will be informed by this analysis. The President's budget request provides a 30 percent funding increase (+$32M) for CDFI Fund awards. These resources will be put to good use as evidenced by ongoing high demand for CDFI Fund resources, driven by the economic environment. In the recently-completed 2010 funding round for CDFI Fund awards, the CDFI Fund received over 400 applications requesting over $460 million in resources, a 97 percent increase from the $237.7 million requested through the original, pre-Recovery Act application solicitation of the FY 2009 round.

Suggestion: The statute authorizing the New Markets Tax Credit needs to be clarified to facilitate investments into Community Development Entities (CDE) that are CDFIs. While the statute allows this activity, it is not clear whether such activities should be exempt from the "direct tracing" requirements. Without such clarification, using NMTC investments to support this activity is onerous, costly and effectively negates the ability of the NMTC to be used to invest in CDEs that are CDFIs.

CDFI Fund Comments: To date, NMTC recipients have invested over $15.6 billion in distressed communities across the country. That money has helped finance small businesses, manufacturers, grocery stores and retail centers, alternative energy projects, healthcare centers, charter schools and job-training sites. It has helped create, save or support hundreds of thousands of local jobs. Treasury and the IRS are presently working on several enhancements to make the NMTC easier and more effective to use based on comments and suggestions from our stakeholders and the Administration. The CDFI Fund and the IRS are working to provide guidance that would clarify the application of certain tax rules to the credit.

For example, the CDFI Fund and the IRS are actively pursuing guidance to catalyze more New Markets Tax Credit investments for small business growth and to encourage greater equity investments into Low-Income Community businesses. These efforts will ensure that jobs continue to be created in rural and urban communities.

The Administration and our partners also support allowing the NMTC to offset Alternative Minimum Tax liability (AMT) in order to sustain a healthy level of investment in low-income communities. Since current law does not allow NMTCs to offset AMT liability, the investor base for the credit has been limited.

The CDFI Fund is working with the IRS to consider a number of potential regulatory reforms to streamline the regulations with a goal of fostering more investments into operating businesses and CDFIs.

Suggestion: Provide funding to support the Native Individual Development Account (IDA) Initiative. During the four years this program was in operation, it successfully provided training and technical assistance to over 200 community leaders, who in turned developed nearly 20 Native IDA programs. Unfortunately, the Native IDA Initiative was halted in 2009 due to funding shortages. Congress should appropriate funds to re-initiate the Native IDA Initiative in Indian Country.

CDFI Fund Comments: In previous years, the CDFI Fund did provide limited training for IDA program development as a pilot initiative. The IDA training was, indeed, very successful. However, the applicants could not use CDFI financial assistance awards for the IDA match requirement, so it was often difficult for Native IDA groups to begin operation after the training period without assistance from other sources.

The Administration of Native Americans and Office of Community Service offer IDA training and grants for IDA programs. They are using some of the same curriculum as produced by the CDFI Fund training pilot. Because of this, the CDFI Fund believes that this would be a duplication of services and supports the work of the Administration of Native Americans and Office of Community Service.

Suggestion: It has been 10 years since the CDFI Fund conducted its ground breaking *Native American Lending Study*. Much has happened since 1999.[2] Congressional leaders, the CDFI Fund, Oweesta, and the many Native CDFIs throughout the United States would greatly benefit from having a current look at the issues impacting access to capital and financial services in Native communities.

CDFI Fund Comments: The CDFI Fund agrees with the commentator and plans to do an update to the *Native American Lending Study*, scheduled for release in the fall of 2012. To date, the CDFI Fund's Native Initiatives has conducted two focus groups and is in the process of reviewing the 2001 study.

Suggestion: The CDFI Fund should develop a new strategy to provide training and technical assistance targeted at the needs of more mature, certified Native CDFIs. These financial institutions need help to build the whole host of skills needed to achieve their potential and ensure their long-term stability and sustainability.

CDFI Fund Comments: The CDFI Fund's Native Initiatives are intended to assist entities in overcoming barriers that prevent access to credit, capital and financial services in American Indian, Alaska Native and Native Hawaiian communities. The Native American CDFI Assistance (NACA) Initiative provides financial and technical assistance grants to established Native CDFIs, builds the capacity of existing Native CDFIs and provides financial support for the creation of new Native CDFIs. The CDFI Fund recently launched a new Capacity-Building Initiative to greatly expand technical assistance and training opportunities for CDFIs to ensure their growth and sustainability.

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[2] Please note that the *Native American Lending Study* was published in 2001.

As part of this initiative, there will be a Native-specific training track to address this and many other issues.

Suggestion: Increase access to funding from other federal agencies and designate Native CDFIs, including CDFI loan funds and not solely CDFI banks, as preferred lenders for loan guarantees offered by all federal agencies. The CDFI Fund should hold interagency meetings with other federal programs, including the Small Business Administration, Department of Agriculture, Department of Interior's Bureau of Indian Affairs, and Department of Housing and Urban Development to identify ways to increase access to funding that would support Native CDFI services and lending. Another area in which these agencies can work together is to support youth financial literacy and entrepreneurship education.

CDFI Fund Comments: In July 2010, the CDFI Fund's Native Initiatives will partner with the Federal Reserve to host 12 regional workshops over a two-year period. Other partners will include the Small Business Administration, Department of Interior, Bureau of Indian Affairs—Indian Energy and Economic Development, USDA Rural Development, Housing and Urban Development, Department of Justice, and U.S. Department of Health and Human Services—Administration for Native Americans. The Native Initiatives staff meets regularly with all these agencies to leverage resources and educate each other about various programs and interagency cooperation.

Community Development Financial Institutions:
Their Unique Role and Challenges Serving Lower-Income,
Underserved and Minority Communities

Financial Services Provided by Community Development Financial Institutions in Latino Communities

United States House of Representatives–Committee on Financial Services
Tuesday, March 9, 2010: 2:00 p.m.
2128 Rayburn House Office Building

Financial Services Provided by Community Development Financial Institutions in Latino Communities

Executive Summary

The Community Development Financial Institutions Fund's (CDFI Fund) mission is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

Community Development Financial Institutions (CDFIs), as a class of financial institutions, have years of experience lending to borrowers with poor credit histories and have developed products and credit counseling services that permit borrowers to enter into and participate successfully in the financial mainstream. CDFIs serve a critical role in our nation's distressed communities by offering responsible loan products and technical assistance to borrowers who may not be reached by mainstream financial institutions.

Latinos are the fastest growing minority group served by CDFI Credit Unions (CDCUs). Of CDCU members, 48 percent are Latino (45 percent in fiscal year 2006) and 19 percent of CDCUs serve a predominantly Latino clientele. In addition:

- According to 2000 Census Data, one in seven Americans is Latino, or roughly 12.5 percent of the U.S. population. Census tracts where Latinos comprise a quarter or more of the population represent about 15.5 percent of all census tracts.
- One in five CDFIs is based in areas where Latinos comprise more than 25 percent of the population.
- Over 10 percent of CDFIs are based in areas with a majority Latino population (greater than 50 percent).
- One in four New Markets Tax Credit investment dollars goes to areas where Latinos are 25 percent or more of the population.
- Slightly more than one in five CDFI Financial and Technical Assistance award dollars is invested into areas where Latinos are 25 percent or more of the population.
- In the last six months alone there were 13 Latino organizations certified by the U.S. Department of Treasury as CDFIs.
- CDFIs have invested over $1 billion in CDFI Fund Financial and Technical Assistance awards and more than $2.9 billion in NMTCs in areas where Latinos are 25 percent or more of the population.

Current economic conditions have hit the Latino community especially hard. Latino workers earning low incomes as well as those who have just transitioned to the middle class were particularly vulnerable to the recession. Additional efforts must be made to ensure that recent gains are not lost and those wishing to join the economic mainstream have the tools and resources to do so. CDFIs will continue to play a vital role in many Latino communities by providing opportunities where other financial institutions are not.

About the CDFI Fund

The CDFI Fund was created for the purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions. The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994 as a bipartisan initiative. The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

Performance of CDFI Financial & Technical Assistance Awardees during 2008	
Number of full-time jobs created or maintained	70,260
Number of businesses financed	10,792
Number of commercial real estate properties financed	1,676
Dollars (in millions) leveraged with private investments	$1,298
Number of individuals provided with financial literacy and other training	159,546

The CDFI Fund invests in organizations with sound strategies, making awards through a competitive assessment of strategic business plans. The CDFI Fund meets the industry's need for equity capital and for investment in institutional capacity building. It supports permanent institutions with specialized market knowledge and expertise, and is the only federal source of equity capital available to all CDFIs, regardless of location or lending sector. It is a unique, proven program.

Since its creation, the CDFI Fund has awarded $1.13 billion to CDFIs, community development organizations, and financial institutions through Financial and Technical Assistance grants, the Bank Enterprise Award (BEA), and the Native Initiatives. In addition, the CDFI Fund has allocated $26 billion in tax credit authority to Community Development Entities (CDEs) through the New Markets Tax Credit (NMTC).

- Through the CDFI Fund Financial and Technical Assistance Initiative, CDFIs deploy more than 85 percent of their total awards in the first year, even though they are not legally bound to do so (must deploy in a three-year period).
- In 2007, application submission to disbursement took from 12 to 18 months. In two years, the CDFI Fund reduced this time by 75 percent. The CDFI Fund has also improved the time from notice of award to disbursement of funds from over six months to 60 days.
- As of December 18, 2009, there were 824 certified CDFIs. During FY 2009, 55 CDFIs were newly certified, 14 more than were certified in the prior year. As of March 31, 2010, there are 854 certified CDFIs.

About CDFIs

CDFIs, as a class of financial institutions, have years of experience lending to borrowers with poor credit histories and have developed products and credit counseling services that permit borrowers to enter into and participate successfully in the financial mainstream. CDFIs serve a critical role in our nation's distressed communities by offering responsible loan products and technical assistance to borrowers who may not be reached by mainstream financial institutions.

CDFIs are dedicated to serving low-income communities often considered too risky by mainstream financial institutions. By targeting such community lenders with additional resources, CDFIs are strategically positioned to help some of the most vulnerable populations in the nation and at a time when they are facing many financially challenging situations.

- CDFI customers are 70 percent low income, 60 percent minority and 52 percent female.[1]
- CDFI banks operate 71.4 percent of their branches in low- to moderate-income communities, compared to only 27.1 percent for all banks.[2]
- Of CDFI banks, 54 percent are defined by the FDIC as Minority Depository Institutions, indicating that these banks are minority owned or are focused on serving the needs of a minority community.[3]
- Latinos are the fastest growing minority group served by CDFI Credit Unions (CDCUs). Of CDCU members, 48 percent are Latino (45 percent in fiscal year 2006) and 19 percent of CDCUs serve a predominantly Latino clientele. These numbers are virtually reversed for the generally small-sized African American CDCUs. African Americans make up 19 percent of total sector membership, but represent 40 percent of CDCUs. About 8 percent of CDCUs have a significant Native American membership and 5 percent a significant Asian presence.

Latino Communities

In America today there are 44.3 million Latinos.[4] Over the past century, few groups have had as great an impact on the demography of the United States as Latinos. In 1990, there were only slightly more than 22.4 million Latinos. Today, the national Latino population makes up more than 12.5 percent of the total population and represents one of the most diverse racial and ethic groups in the country. While today one

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[1] "The CDFI Data Project," FY2007 Report, Seventh Edition, www.opportunityfinance.net.

[2] Low- to moderate-income community is defined as a census tract with a median household income that is less than 80 percent of the relevant statistical area, an unemployment rate that is 1.5 times the national average or a poverty rate greater than 20 percent.

[3] For more information on the FDIC Minority Depository Institution Program, please visit www.fdic.gov/regulations/resources/minority/index.html.

[4] The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.

of every eight residents of the United States is Latino, it is projected that Latinos could account for one of every five residents by 2035, one of every four by 2055, and one of every three by 2100.[5]

Although Latino homeownership reached an all-time high in 2006 of 49 percent, the current foreclosure environment threatens to erode the gains reached in recent years. Latino homeowners rely on their home equity to provide a financial safety net; home equity accounts for 88 percent of the average Latino homeowner's net worth compared to 61 percent of white households.[6]

Latinos have a strong presence in the work force; however, as unemployment has risen in the past two years, Latinos have been severely impacted because of the high concentration of work in construction and the concentration of low-wage jobs.

Community First Fund
Carlos Gonzalez
Lancaster, Pennsylvania[7]

Some people believe one individual can do nothing to transform a decaying neighborhood. But not Carlos Gonzalez.

A native of Chile, Mr. Gonzalez came to the United States in 1986 with his wife, Lucciola, and settled in Lancaster. He became a master plumber and started his own business, C.G. Plumbing and Electric. In time, he purchased and renovated a rundown house on South Ann Street.

But when Mr. and Mrs. Gonzalez moved into their new home, Mr. Gonzalez discovered that the neighborhood was a lot rougher than he realized. Crime was rampant and police were a constant presence. So Mr. Gonzalez decided to clean up his neighborhood one house at a time.

His idea was simple: He would buy an abandoned house in his neighborhood, renovate it, and sell it to a good family—not to make a profit but to improve the neighborhood. All he needed was someone who believed in him enough to lend him some money.

Mr. Gonzalez approached Community First Fund (CFF). Formed in 1992, CFF is the premier economic development organization serving low-income communities in central Pennsylvania. The organization provides loans and technical assistance to small business owners, affordable housing developers, and community organizations throughout a 13-county region that is home to 3.5 million people.

CFF appreciated Mr. Gonzalez's intentions and his work ethic and in 2001 gave him a $5,000 loan to buy the house. It was the first of eight loans, totaling $188,700, which CFF has provided to Mr. Gonzalez. With CFF's help, Mr. Gonzalez has purchased, renovated, and sold 15 homes in his neighborhood—all while continuing to operate his plumbing business. As a result of his efforts, the property values in his neighborhood have increased and crime has declined. He has also created jobs for members of his family who help him manage his business.

[5] Rogelio Saenz, "Latinos and the Changing Face of America," www.prb.org (accessed March 26, 2010).
[6] National Council of La Raza, "After Stimulus: Sustainable Economic Security for Latinos," http://www.nclr.org/ (Accessed March 26, 2010).
[7] Examples taken from Opportunity Finance Network, "The Next American Opportunity: Good Policies for a Great America," http://www.nextamericanopportunity.org (Accessed March 26, 2010).

Current economic conditions have hit the Latino community especially hard. Latino workers earning low incomes as well as those who have just transitioned to the middle class were particularly vulnerable to the recession and additional efforts must be made to make sure that recent gains are not lost and those wishing to join the economic mainstream have the tools and resources to do so.

CDFIs play a vital role in many Latino communities and are providing opportunities where other financial institutions are not. The following pages provide information about CDFIs and their work to provide solid financial resources to Latino people and communities across the country.

Housing Assistance Council
Proyecto Azteca
San Juan, Texas

Hector Armando Gurrola and his wife, Yolanda, lived in the colonias along the Texas-Mexico border in a dilapidated mobile home with no air conditioning or heating. But in 2005, their lives were transformed when they moved into a new home, thanks to Proyecto Azteca.

Proyecto Azteca is a small, rural nonprofit housing development organization located in the Lower Rio Grande Valley of Texas. Created in 1991 by the United Farm Workers and Texas Rural Legal Aid, Proyecto Azteca is dedicated to building decent, affordable housing for low-income colonia residents, especially farm workers.

Proyecto Azteca's housing program is designed to empower the low-income families it serves. The families receive materials, tools, and training and do almost all the construction work on their homes themselves (called sweat equity), which enables them to develop new job skills. Moreover, their mortgages are tailored to their circumstances. Typically, Proyecto Azteca's loans cover the lots and homes, with zero interest and monthly payments of about $100.

Since 1996, Proyecto Azteca has received more than $1.196 million in predevelopment loans from the Housing Assistance Council (HAC), Washington, DC. Founded in 1971, HAC is the only national intermediary focusing on the development of affordable housing in rural communities. It emphasizes local solutions, providing loans and technical assistance to enable local public, nonprofit, and private organizations to improve housing conditions in their own communities.

HAC's financing has allowed Proyecto Azteca to build 127 homes. For people like Hector and Yolanda, it means being able to live in a safe, decent home—and so much more. "Those families now have better physical and emotional health, their children are doing better in school, and they are accruing wealth in the land and house that they were able to purchase with HAC's assistance," says Ann Cass, Executive Director of Proyecto Azteca. "How can all of that be measured? It is priceless."

CDFIs & Latino Communities[8]

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- CDFIs have invested over $1 billion in CDFI Fund Financial and Technical Assistance awards and more than $2.9 billion in NMTCs in areas where Latinos are 25 percent or more of the population.

[8] Sources: CDFI Fund transaction level data reported by awardees and the U.S. Census Bureau.

CDFIs Located in Latino Communities

Latino Population (12.5% National Average)	Census Tracts: Number	Census Tracts: Total Population	Census Tracts: Percentage of Population	CDFI Headquarters: Total	CDFI Headquarters: Percentage
< 12.5%	50,000	208,637,227	74.1	520	68.4
12.5% to 24.9%	6,401	29,114,797	10.3	76	10.0
25.0% to 49.9%	4,944	22,728,622	8.1	79	10.4
> 50.0%	4,223	20,919,596	7.4	85	11.2
Total	65,568	281,400,242	100.0	760	100.0

Source: CDFI Fund, Department of the Treasury, U.S. Census Bureau.
Note that not all certified CDFIs can be geocoded and so are not included in this summary.

CDFI Investment in Latino Communities

	Loans and Investments			
	CDFI		NMTC	
Latino Population (12.5% National Average)	Total	Percentage	Total	Percentage
< 12.5%	$3,207,475,230	65.0	$7,519,695,697	62.9
12.5% to 24.9%	$642,053,219	13.0	$1,501,659,103	12.6
25.0% to 49.9%	$490,883,877	10.0	$1,287,562,856	10.8
> 50.0%	$591,718,710	12.0	$1,653,026,494	13.8
Total	$4,932,131,036	100.0	$11,961,944,150	100.0

Source: CDFI Fund, Department of the Treasury, U.S. Census Bureau.
Note that not all certified CDFIs can be geocoded and so are not included in this summary.

CDFIs Located in Primarily Latino Areas

● Headquarter of a CDFI

Source: CDFI Fund, Department of the Treasury, U.S. Census Bureau.
Primarily Latino area is defined as having a Latino population greater than the national average of 12.5 percent.

Newly Certified CDFIs[9] Serving Latino Communities

Border Federal Credit Union

Location:	Del Rio, TX
Type of Institution:	Credit Union
Target Market(s):	A three county investment area comprised of Val Verde County, Maverick County, and Kinney County in Texas

Border Federal Credit Union (BFCU) was established in 1954 and is headquartered in Del Rio, Texas with three branches located in Del Rio, Laughlin Air Force Base and Eagle Pass, Texas. Programs offered at BFCU include HUD-certified free financial counseling, Volunteer Income Tax Assistance (VITA), an annual youth fair, an annual financial summer youth camp, Junior Achievement at local elementary schools and the National Endowment for Financial Education (NEFE) at the local high school. Services include: 13 ATM locations, consumer and home equity loans, deposit and investment accounts, internet banking, electronic bill payment, bilingual (English/Spanish) audio response, safe deposit boxes, travelers checks, money orders, credit card cash advances, debit and ATM cards, international wire transfers, and many others. BFCU has 90 employees of which approximately 90 percent are bilingual (English/Spanish).

CEN-TEX Certified Development Corporation (BCL of Texas)

Location:	Austin, TX
Type of Institution:	Loan Fund
Target Market(s):	A low-income targeted population and other targeted population–Hispanic in a 43 county area in southern Texas

Chartered in 1990 during a major Texas recession, CEN-TEX CDC dba BCL of Texas responded to the request of rural communities to help stimulate distressed regions. To date, BCL of Texas has provided more than 13,000 hours of business development counseling and technical support to businesses in low-wealth communities. Over $267 million in business loans have been facilitated with a resulting impact of 3,883 jobs and a borrower annual payroll in excess of $97 million. BCL of Texas has developed a premier loan portfolio software system to monitor lending capital and has a proven track record as an economic development niche lender, booking small business loans that conventional lenders cannot book and that local economic development organizations are not set up to fund. BCL of Texas also collaborates with Texas CDFIs on referrals and is a leader in business growth development strategies.

[9] Certified from August 2009 through February 2010.

Gubecoop

Location:	San Juan, PR
Type of Institution:	Credit Union
Target Market(s):	An investment area consisting of all eligible census tracts in Puerto Rico

Gubecoop was formed more than 32 years ago as a savings and credit cooperative to provide banking and insurance services to government employees, nominated members from the private sector, and pensioners with the Retirement System of Puerto Rico. Gubecoop offers its members comprehensive savings, credit, payment and internet banking services.

Latino Economic Development Center

Location:	Minneapolis, MN
Type of Institution:	Loan Fund
Target Market(s):	Other targeted populations–Hispanic in Minnesota

The Latino Loan Fund, managed by the Latino Economic Development Center (LEDC), was established in late 2008 to provide targeted financing services to low-income Latino entrepreneurs in the State of Minnesota. The mission of LEDC is to transform the community by creating economic opportunity for Latinos. LEDC's goal is to establish a loan pool of approximately $1 million over a period of three years to provide two financial products 1) micro loans in amounts of $5,000 to $35,000 for very small business ventures, and 2) gap financing for expansion loans, real estate purchases, business purchases and other financing requirements to leverage conventional financing for its established clients. Over 730 Latino entrepreneurs have graduated from Spanish language micro-entrepreneur training classes over the past 13 years sponsored by LEDC and its organizers. Approximately a third of these graduates opened businesses and several clients have grown to sales over $3 million.

Genesis LA Economic Growth Corporation

Location:	Los Angeles, CA
Type of Institution:	Loan Fund
Target Market(s):	A low-income targeted population and other targeted population–African American and Hispanic in Los Angeles County, California

Genesis LA Economic Growth Corporation (GLA) is a nonprofit financing entity created in 1998 to provide capital and capacity to low-income neighborhoods in Los Angeles County to facilitate hard-to-develop real estate projects. GLA makes loans to small business owners, nonprofits and affordable housing developers. Loans support projects that serve low-income people through job creation, new services and amenities, and the provision of social services and affordable housing. Since its loan fund was initially capitalized, it has made 19 loans totaling over $7.8 million in financing to such projects that have helped to create or retain over 2,300 jobs, added 825,000 square feet of new or rehabilitated real estate, and leveraged over $169 million in additional financing. In addition to making loans, GLA provides development services to all projects it seriously considers financing, including financial feasibility analyses, capital structuring, leveraging additional funds and navigating the development process.

Promerica Bank

Location:	Los Angeles, CA
Type of Institution:	Bank or Thrift
Target Market(s):	Other targeted population–Hispanic in Los Angeles County, California

Promerica Bank was established in 2007 to serve the financial service needs of the Los Angeles County, California local business community, nonprofit sector, and professional services firms, with a focus on the Hispanic community. Promerica Bank provides financial services to two broad-based segments, wholesale and retail business, and is a family-legacy driven organization, building relationships on service and trust. To better serve Hispanic clients, Promerica Bank provides bicultural and bilingual service, as well as financial education and empowerment for current clients and prospective clients. The Bank's target markets include: commercial small to middle market businesses (service businesses, manufacturers, wholesalers and distributors), medical professionals and related trades, other professional service firms, nonprofit organizations, women-owned businesses, and other businesses within the immediate service area of our headquarters, all with an emphasis on the Hispanic sector. To date the Bank has originated nearly $100 million in loans including approximately $60 million in loans to Hispanic businesses. Through its Center for Success, the Bank has also provided business training to clients and prospects to help their businesses become successful.

Fairfax County Federal Credit Union

Location:	Fairfax, VA
Type of Institution:	Credit Union
Target Market(s):	Low-income targeted populations and other targeted populations–Hispanic in Fairfax, VA

Fairfax County Federal Credit Union began operations in April 1958 and was established to serve the financial needs of Fairfax County government employees. Fairfax County Federal Credit Union is committed to member service and offers a variety of financial products and services to its membership including real estate loans and investment services. It also serves the county's Hispanic workforce with financial services not always available in other financial institutions through bilingual credit union staff members and providing Spanish language automated services when possible.

La Plata Homes Fund, Inc.

Location: Durango, CO
Type of Institution: Loan Fund
Target Market(s): A low-income targeted population and other targeted population–Native American & Hispanic–and an investment area (two census tracts) in Durango County, CO

The La Plata Homes Fund, a nonprofit affordable housing lender, began operations in 2008 and was certified as a CDFI in October 2009. It provides subordinated mortgage loans to promote home ownership in La Plata County among its target market and has a tight focus on a single product–a deferred, due on sale, second mortgage with a shared appreciation feature. The Homes Fund delivers home-grown, innovative financing to low-income and minority households, which is made possible through aggressive development services, individual credit counseling and home buyer education provided directly by Homes Fund staff. Its approach to development services also builds its market through creating credit-worthy borrowers who otherwise could not get a conventional first mortgage through Homes Fund partner banks and mortgage lenders.

Pacific Coast Regional Small Business Development Corporation

Location: Los Angeles, CA
Type of Institution: Loan Fund
Target Market(s): Other targeted population–African American and Hispanic in Los Angeles County, California

Pacific Coast Regional (PCR) is a private, nonprofit corporation founded in 1977 to assist small business owners in becoming successful members of the Southern California business community. PCR provides financial, educational and consulting services, offering financial programs such as loan guarantees, bond guarantees, disaster bridge loans, and direct (environmental) loans. PCR also offers educational services through its Entrepreneurial Training Institute and seminars, a consultants program and a start-up guide for small businesses.

The Plan Fund

Location: Dallas, TX
Type of Institution: Loan Fund
Target Market(s): Other targeted populations–African American & Hispanic in Dallas County, TX

Starting in 1999, The Plan Fund has been committed to making a positive difference in the lives of working class entrepreneurs. The Plan Fund is a nonprofit organization whose mission is to assist entrepreneurs to achieve success in starting and or expanding their small businesses. Its underlying goal is to increase its members' economic self sufficiency through entrepreneurship by developing sustainable businesses. The Plan Fund combines a full-day, hands-on entrepreneur training class, a dynamic peer-support program and micro-credit. The hub of Plan Fund activity occurs at its business centers, which are located in parts of Dallas with less economic development.

Progress Financial Corporation

Location:	Mountain View, CA
Type of Institution:	Loan Fund
Target Market(s):	Low-income targeted populations in the California Primary Metropolitan Statistical Areas (PMSA) of Oakland, San Francisco, San Jose, Los Angeles, and Santa Cruz-Watsonville, and the California MSAs of Fresno, Bakersfield, and Salinas

Progress Financial Corporation (Progreso) was established in 2005 and currently offers consumer loans and credit education to under-banked Hispanics in California's Bay, Central Valley and Los Angeles areas. Progreso's primary mission is to provide small dollar loans and credit education to under-banked Hispanic families, helping them to build credit, to gain access to mainstream financial services, and to move up the financial ladder and achieve their life-long aspirations. Progreso's roots are in providing an alternative to payday loans by providing fair and responsible loans to families hardest hit by the credit crisis and least likely to have access to responsible credit.

Sustainable and Livable Communities, LLC

Location:	Houston, TX
Type of Institution:	Loan Fund
Target Market(s):	Other targeted populations–African American and Hispanic in Texas

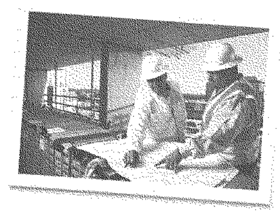
The Sustainable and Livable Communities Fund (SLCF) is a non-regulated financial institution founded in Houston, Texas in 2009. SLCF structures suitable lending arrangements to create self-sufficiency in community development and to promote sustainable livable communities. SLCF has a primary mission of promoting community services targeted to low- or moderate-income individuals and activities that revitalize or stabilize low- or moderate-income geographies, federally designated disaster areas, or federally designated distressed, non-metropolitan, middle-income geographies. SCLF currently offers financial products in business financing and makes loans to retail and service businesses, light industry, alternative energy, energy efficiency industries, transportation, educational projects, emerging and new technologies, building trade industries, health care projects, and infrastructure projects.

El Paso Credit Union Affordable Housing, LLC

Location:	El Paso, TX
Type of Institution:	Loan Fund
Target Market(s):	Other targeted population–Hispanic in El Paso County, TX

The mission of the El Paso Credit Union Affordable Housing, LLC is to promote community development by targeting members of the financially underserved community, the low-income community, and the Hispanic community, and empowering members of these communities with the ability to develop wealth and economic and financial stability. El Paso Credit Union Affordable Housing, LLC accomplishes its mission by offering free financial education, homeownership workshops, housing and credit counseling, and promoting savings, while offering asset development programs and affordable loan products and financial services that allows members of the community to access low-cost capital and to develop family asset and credit worthiness.

PeopleFund
CGE Incorporated
Austin, Texas



For 15 years, Carlos Esteves managed construction projects for two companies in Austin's semiconductor industry. When the industry faltered and he was laid off, he started his own general construction company, CGE Incorporated.

Although CGE soon attracted a lot of business, it faced a major challenge. Like any construction company, CGE needed funds to pay for materials and other up-front costs its jobs required. But as a new business, CGE had not established credit with its suppliers and could not get financing from a traditional lender. "We tried several banks, and they wouldn't give us the time of day," Mr. Esteves says.

But there was one lender in Austin that would listen to Mr. Esteves: PeopleFund.

Launched in 1994, PeopleFund promotes lasting economic vitality in low-income and minority communities by providing financing and training to ventures that will create jobs and safe, affordable housing. Originally created to serve the city of Austin, the organization has expanded to reach a five-county region in central Texas. It has made more than 265 loans totaling almost $16 million to small businesses, schools, healthcare providers, and affordable housing developers.

PeopleFund gave Mr. Esteves a $40,000 loan for working capital and helped him to develop a business plan and organize the financial side of his business. "They helped me put everything in order," Mr. Esteves says. "All the things you do when you start up a business and you want a loan, they walked me through."

Today, thanks to PeopleFund's financing and Mr. Esteves' skill and hard work, CGE is thriving. In 2007, annual revenue reached $2.2 million, up from $70,000 in 2002. And Carlos has found that traditional lenders are more willing to listen to him. Indeed, after building up his business and establishing a strong credit record with his PeopleFund loan, he applied for—and received—a line of credit for CGE from a local bank.

Latino CDFIs & CDFIs serving Latino Communities[10]

ACCION U.S.A

Location:	Boston, MA
Type of Institution:	Loan Fund
Target Market(s):	Targeted populations are African Americans and Hispanics in three service areas: 1) greater Boston, MA; 2) greater Miami, FL; and 3)greater Atlanta, GA.

ACCION U.S.A, Inc.

Location:	New York, NY
Type of Institution:	Loan Fund
Target Market(s):	Tarket market is composed of Hispanics and African Americans within the service area of New York City, New York.

American Metro Bankcorp

Location:	Chicago, IL
Type of Institution:	Depository Institution Holding Company
Target Market(s):	American Metro Bancorp's target market consists of: 1) an investment area comprised of individual and contiguous census tracts in Chicago, Illinois; and 2) populations that lack adequate access to capital comprised of African American and Hispanic individuals and families in Chicago, Illinois.

Bankers' Small Business CDC of San Diego

Location:	San Diego, CA
Type of Institution:	Loan Fund
Target Market(s):	Targeted population is comprised of Hispanics/Latinos, Females and Asian Americans.

Border Financial Resources Inc

Location:	San Luis, AZ
Type of Institution:	Loan Fund
Target Market(s):	Border Financial Resources Inc.'s target market consists of Hispanic individuals and families that lack adequate access to capital residing in Yuma County, Arizona.

[10] Note that these are CDFIs that specifically identified Latino or Hispanic as a targeted population.

Broadway Federal Bank

Location:	Los Angeles, CA
Type of Institution:	Bank
Target Market(s):	Broadway Federal Bank's target market consists of African Americans and Hispanic individuals and families that lack adequate access to capital residing in Los Angeles County, California.

Ceiba, Inc

Location:	Philadelphia, PA
Type of Institution:	Loan Fund
Target Market(s):	Ceiba, Inc.'s target market consists of: 1) a low-income targeted population comprised of low-income individuals and families residing in Philadelphia, PA; (2) Hispanic American individuals and families residing in Philadelphia, PA that lack adequate access to capital; and (3) one investment area comprised of individual and contiguous census tracts in Philadelphia, PA. The investment area meets one or more of the distress criteria.

Brooklyn Economic Development Corporation

Location:	Brooklyn, NY
Type of Institution:	Loan Fund
Target Market(s):	Brooklyn Economic Development Corporation's target market consists of Women, African American and Latino/Hispanic American individuals and families residing in the Bronx, Kings, New York, Queens and Richmond counties of New York City that lack adequate access to capital.

Ceiba Housing and Economic Development Corporation

Location:	Ceiba, PR
Type of Institution:	Loan Fund
Target Market(s):	Ceiba Housing and Economic Development Corporation's target market consists of a low-income targeted population comprised of low-income individuals and families residing in Canvana, Carolina, Ceiba, Culebra, Fajardo, and Gurabo.

CEN-TEX Certified Development Corporation

Location:	Austin, TX
Type of Institution:	Loan Fund
Target Market(s):	CEN-TEX Certified Development Corporation's target market is Hispanic populations in Southern Texas.

Comerciantes Unidos para el Desarrollo Comunitario de Camuy, Inc.

Location:	Camuy, PR
Type of Institution:	Loan Fund
Target Market(s):	Comerciantes Unidos has three investment areas: Camuy, Quebradilla and Hatillo. All census tracts in Puerto Rico meet the distressed criterion.

Comunidad Latina Federal Credit Union

Location:	Santa Ana, CA
Type of Institution:	Credit Union
Target Market(s):	The target market consists of Hispanic populations in Santa Ana, California.

Comunidades Federal Credit Union

Location:	Los Angeles, CA
Type of Institution:	Credit Union
Target Market(s):	Comunidades Federal Credit Union's target market is comprised of 15 contiguous and eligible census tracks in the Pico Union neighborhood of Los Angeles, California.

Cooperativa de Ahorro y Credito Empleados Pepsi Cola

Location:	Toa Baja, PR
Type of Institution:	Credit Union
Target Market(s):	The target market is an investment area made up of the entire island of Puerto Rico.

Cooperativa de Ahorro Y Credito Nuestra Senora de la Candelaria

Location:	Manati, PR
Type of Institution:	Credit Union
Target Market(s):	Cooperativa Candelaria's target market consists of an investment area comprised of all census tracts in the municipality (county) of Manati, Puerto Rico.

Corporacion para el Fomento Economico de la Ciudad Capital (COFECC)

Location:	San Juan, PR
Type of Institution:	Loan Fund
Target Market(s):	Corporacion para el Fomento Economico de la Ciudad Capital's target market consists of Hispanic individuals and families that lack adequate access to capital in Puerto Rico.

Economic and Community Development Institute

Location:	Columbus, OH
Type of Institution:	Loan Fund
Target Market(s):	Economic and Community Development Institute's target market consists of a low-income targeted population comprised of low-income individuals and families and African American, Hispanic, and Refugee/Immigrant individuals and families all residing in Franklin, Licking, Fairfield, Pickaway, Madison, Union and Delaware counties in Ohio and the City of Columbus in Ohio that lack adequate access to capital.

EDC Loan Corporation

Location:	Kansas City, MO
Type of Institution:	Loan Fund
Target Market(s):	EDC Loan Corporation's target market consists of: 1) an investment area consisting of 24 contiguous qualifying census tracts in Kansas City, MO; and 2) African Americans, Hispanics, and Women.

El Paso Collaborative for Community and Economic Development

Location:	El Paso, TX
Type of Institution:	Loan Fund
Target Market(s):	El Paso Collaborative for Community and Economic Development's target market consists of Hispanic American individuals and families residing in El Paso and Hudspeth Counties in Texas, and Dona Ana and Otero Counties in New Mexico that lack adequate access to capital.

Enterprise Funding Corporation

Location:	Redlands, CA
Type of Institution:	Loan Fund
Target Market(s):	Enterprise Funding Corporation's target market consists of Women, Asian-Americans, African Americans, and Hispanics in Riverside and San Bernardino Counties in California.

Fame Assistance Corporation/Fame Renaissance

Location:	Los Angeles, CA
Type of Institution:	Loan Fund
Target Market(s):	Fame Assistance Corporation/Fame Renaissance's target market is comprised of African Americans and Latinos in Los Angeles County.

Fox Valley Micro Loan Fund
Location: Elgin, IL
Type of Institution: Loan Fund
Target Market(s): Fox Valley Micro Loan Fund's target market consists of: 1) low-income individuals and families residing in Kane County, Illinois; 2) Women, Hispanic American and Polish/Eastern European individuals and families residing in Kane County, Illinois; and 3) an investment area comprised of several contiguous census tracts in Kane County, Illinois.

Genesis LA Economic Growth Corporation
Location: Los Angeles, CA
Type of Institution: Loan Fund
Target Market(s): Genesis LA Economic Growth Corporation is certified to serve the following target market(s): African American and Hispanic populations in Los Angeles County, California.

Glamour Community Federal Credit Union
Location: Quebradillas, PR
Type of Institution: Credit Union
Target Market(s): Glamour Community Federal Credit Union's target market consists of an investment area comprised of four census tracts in Quebradillas Municipio in Puerto Rico.

Grow America Fund
Location: New York, NY
Type of Institution: Loan Fund
Target Market(s): Grow America Fund's target markets include 41 investment areas comprised of individual and contiguous census tracts in: New York, Connecticut, Pennsylvania, California, Massachusetts, Indiana, Tennessee, Wisconsin, New Jersey, Washington, Ohio and Puerto Rico.

Gubecoop
Location: San Juan, PR
Type of Institution: Credit Union
Target Market(s): Gubecoop is certified to serve all eligible census tracts in Puerto Rico.

International Bank of Chicago
Location: Stone Park, IL
Type of Institution: Bank
Target Market(s): International Bank of Chicago's target market consists of Hispanics, Asians and African Americans drawn from Chicago's Metropolitan Area; and two investment areas drawn from Cook County, Illinois.

JD Financial Group, Inc
Location: Chicago, IL
Type of Institution: Depository Institution Holding Company
Target Market(s): JD Financial Group, Inc.'s target market consist of several investment areas comprised of individual and contiguous census tracts in Chicago, Illinois and Hispanic individuals and families residing in Chicago that lack adequate access to capital.

La Fuerza Unida Community Development Corporation
Location: Glen Cove, NY
Type of Institution: Loan Fund
Target Market(s): La Fuerza Unida CDC's target market consists of Hispanic individuals and families residing in Nassau and Suffolk Counties, NY that lack adequate access to capital.

La Plata Homes Fund, Inc.
Location: Durango, CO
Type of Institution: Loan Fund
Target Market(s): La Plata Homes Fund, Inc.'s target market consists of: 1) low-income individuals and families; 2) Native American and Hispanic individuals and families; and (3) investment areas comprised of individual and contiguous census tracts in Durango County in the State of Colorado.

Latino Economic Development Center
Location: Minneapolis, MN
Type of Institution: Loan Fund
Target Market(s): Hispanics in the State of Minnesota.

Latino Community Credit Union
Location: Durham, NC
Type of Institution: Credit Union
Target Market(s): The Latino Community Credit Union's target markets are 1) low-income individuals and families residing in the State of North Carolina; and 2) Latino individuals and families residing in the State of North Carolina.

Latino Economic Development Corporation (LEDC)

Location: Washington, DC
Type of Institution: Loan Fund
Target Market(s): LEDC's Tarket Markets consist of Latinos and an investment area in Washington DC consisting of 120 contiguous qualifying and non-qualifying census tracts. The qualifying census tracts meet the poverty, unemployment, or median family income criteria.

MetaFund Corporation

Location: Oklahoma City, OK
Type of Institution: Venture Capital Fund
Target Market(s): MetaFund Corporation's target markets include all eligible investment areas in the State of Oklahoma, a low-income targeted population in the State of Oklahoma, and African American, Native American, and Latino individuals and business owners.

Metropolitan Economic Development Association

Location: Minneapolis, MN
Type of Institution: Loan Fund
Target Market(s): Metropolitan Economic Development Association's target market consists African, Asian, Hispanic, and Native American individuals and families residing in Ramsey, Hennepin, Dakota, Scott, Carver, Anoka and Washington Counties in Minnesota that lack adequate access to capital.

Milestone Growth Fund, Inc.

Location: Minneapolis, MN
Type of Institution: Venture Capital Fund
Target Market(s): Milestone Growth Fund, Inc.'s target markets are comprised of individuals who are African American, Hispanic American, or Native American residing in the United States and individuals who are Asian American residing in the State of Minnesota.

Minority Investment Development Corporation

Location: Providence, RI
Type of Institution: Loan Fund
Target Market(s): Minority Investment Development Corporation's target market is comprised of low-income individuals and families residing in Rhode Island; Hispanic and African Americans residing in Rhode Island.

Mission Community Bank

Location: San Luis Obispo, CA
Type of Institution: Bank
Target Market(s): Mission Community Bank has defined a target market consisting of: 1) a low-income population drawn from San Luis Obispo, Santa Barbara and Kern Counties in California; 2) Hispanics drawn from the aforementioned California Counties; and 3) the following investment areas: San Luis Obispo County; Paso Robles; Atascadero; and Santa Barbara, Kern, Nipomo and Oceano.

NCI Community Development Credit Union

Location: Houston, TX
Type of Institution: Credit Union
Target Market(s): NCI Community Development Credit Union's target market consists of low-income Hispanic individuals and families in Harris County, Texas; and 15 investment areas comprised of census tracts in Harris County, Texas.

Neighborhood Housing Services of Lackawanna Co.

Location: Scranton, PA
Type of Institution: Loan Fund
Target Market(s): NHS of Lackwawanna County's target market consists of: 1) low-income individuals and families residing in Lackawanna County, Pennsylvania; and 2) African and Hispanic Americans residing in Lackawanna, Pennsylvania that lack access to capital.

Neighborhood Partnership Housing Services, Inc.

Location: Ontario, CA
Type of Institution: Loan Fund
Target Market(s): Neighborhood Partnership Housing Services, Inc.'s target market consists of: 1) African Americans and Hispanics residing in Los Angeles or San Bernardino Counties, California that lack access to capital; and 2) low-income targeted population drawn from Los Angeles and San Bernardino Counties, California.

NeighborWorks Capital

Location: Silver Spring, MD
Type of Institution: Loan Fund
Target Market(s): NeighborWorks Capital's target markets are low-income individuals and families residing in the United States and Puerto Rico.

New York National Bank

Location:	Bronx, NY
Type of Institution:	Bank
Target Market(s):	New York National Bank's target market consists of African American and Hispanic individuals and families residing in New York City, New York that lack access to capital.

Newark Business Development Consortium, Inc.

Location:	Newark, NJ
Type of Institution:	Loan Fund
Target Market(s):	Greater Newark Business Development Consortium's target market consists of African Americans, Hispanics, and individuals and families residing in Essex, Hudson, Middlesex, and Monmouth Counties, New Jersey.

North Carolina Minority Support Center

Location:	Durham, NC
Type of Institution:	Loan Fund
Target Market(s):	North Carolina Minority Support Center's target market consists of African American and Latino residents of North Carolina.

Northwest Ohio Development Agency

Location:	Toledo, OH
Type of Institution:	Loan Fund
Target Market(s):	Northwest Ohio Development Agency's target market is comprised of African Americans and Hispanics in the city of Toledo, OH. The investment area is identified as 46 contiguous census tracts within the city of Toledo, Ohio.

Nuestro Banco

Location:	Raleigh, NC
Type of Institution:	Bank
Target Market(s):	Nuestro Banco's target market consists of Hispanic individuals and families residing in Wake, Durham, Granville, Franklin, Chatham, Johnson, Harnett, and Nash Counties in North Carolina that lack adequate access to capital.

Oregon Trail Corporation

Location:	Torrance, CA
Type of Institution:	Loan Fund
Target Market(s):	Oregon Trail Corporation's target market is comprised of low-income individuals and families residing in the Los Angeles Metropolitan Area; African Americans and Hispanics from the Los Angeles Metropolitan Area

Pacific Coast Regional, Small Business Development Corp.

Location: Los Angeles, CA
Type of Institution: Loan Fund
Target Market(s): Pacific Coast Regional, Small Business Development Corporation's target market is comprised of African American and Hispanic individuals and families residing in Los Angeles County, California.

Pan American Bank

Location: Chicago, IL
Type of Institution: Bank
Target Market(s): Pan American Bank's target market consists of Hispanic American individuals and families residing in Chicago, Illinois.

Ponce Neighborhood Housing Services, Inc.

Location: Ponce, PR
Type of Institution: Loan Fund
Target Market(s): Ponce Neighborhood Housing Services, Inc.'s target market is a low-income targeted population and an investment area comprising all census tracts in the municipality of Ponce, Puerto Rico.

PPEP Microbusiness and Housing Development Corporation

Location: Tucson, AZ
Type of Institution: Loan Fund
Target Market(s): PPEP Microbusiness and Housing Development Corporation's target markets are four investment areas: one census tract in Douglas, AZ; one census tract in Guadalupe, AZ; one census tract in Nogales, AZ; and one census tract in San Luis, AZ and Hispanics in those same four towns.

Premier Bank

Location: Wilmette, IL
Type of Institution: Bank
Target Market(s): Premier Bank has an investment area comprised of 692 census tracts in Chicago, IL and surrounding counties.

Promerica Bank

Location: Los Angeles, CA
Type of Institution: Bank
Target Market(s): Promerica Bank is certified to serve Hispanic populations in Los Angeles County, California.

Pueblo Coop
Location: Carolina, PR
Type of Institution: Credit Union
Target Market(s): Pueblo Coop's target market consists Puerto Rico, St. Thomas, Virgin Islands, and St. Croix, Virgin Islands.

Rural Community Development Resources
Location: Yakima, WA
Type of Institution: Loan Fund
Target Market(s): Rural Community Development Resources serves areas comprised of 10 wholly eligible and contiguous census tracts located in Yakima County, Washington, encompassing the Sunnyside Granview Enterprise Community; a low-income targeted population in Yakima County; and Hispanics in Yakima County.

Rural Opportunities Enterprise Center, Inc.
Location: Rochester, NY
Type of Institution: Loan Fund
Target Market(s): Rural Opportunities Enterprise Center, Inc.'s Tarket Markets are low-income individuals and families residing in the rural communities of New York, Ohio, Pennsylvania, New Jersey, Michigan, Indiana, and Puerto Rico.

San Diego Neighborhood Housing Services
Location: San Diego, CA
Type of Institution: Loan Fund
Target Market(s): San Diego Neighborhood Housing Services' target market consists of Low-income, African American, Hispanic, and Native American targeted populations in San Diego County, California.

San Juan Neighborhood Housing Service, Inc.
Location: San Juan, PR
Type of Institution: Loan Fund
Target Market(s): San Juan Neighborhood Housing Service, Inc.'s target market consists of a single investment area of 10 contiguous census tracts on the northwest side of San Juan, Puerto Rico.

San Luis Obispo County Housing Trust Fund
Location: San Luis Obispo, CA
Type of Institution: Loan Fund
Target Market(s): San Luis Obispo County Housing Trust Fund's target markets consist of: 1) six investment areas comprised of individual and contiguous census tracts in San Luis Obispo County, California; 2) low-income individuals and families residing in San Luis Obispo County, California; and 3) and African American and Hispanic American individuals and families residing in San Luis Obispo County, California.

Second Federal Savings and Loan Association of Chicago
Location: Chicago, IL
Type of Institution: Bank
Target Market(s): Second Federal Savings and Loan Association of Chicago is certified to serve Hispanic communities in Southwest Chicago, Illinois.

Self-Help Credit Union
Location: Durham, NC
Type of Institution: Credit Union
Target Market(s): Self-Help Credit Union serves individuals in North Carolina who are either low-income, African American, Latino, and/or female; and has investment areas in all or part of 92 counties throughout the State.

Self-Help Ventures Fund
Location: Durham, NC
Type of Institution: Venture Capital Fund
Target Market(s): Self-Help Ventures Fund serves low-income persons from a national service area, African Americans and Latinos from a national service area, and female headed households and women business owners from the State of North Carolina.

Shorebank Enterprise Group
Location: Cleveland, OH
Type of Institution: Loan Fund
Target Market(s): Shorebank Enterprise Group Cleveland's target market consists of: 1) an investment area comprised of 224 individual and contiguous census tracts in Cleveland, Ohio; 2) low-income individuals and families residing in Cleveland, Ohio including Cuyahoga County; and 3) African and Hispanic Americans residing in Cleveland, Ohio including Cuyahoga County.

The Community Bank
Location: Bridgeport, CT
Type of Institution: Credit Union
Target Market(s): The Community Bank's target market consists of African Americans and Hispanics in Hartford and Bridgeport, Connecticut.

The Plan Fund
Location: Dallas, TX
Type of Institution: Loan Fund
Target Market(s): The Plan Fund's target market consists of African American and Hispanic individuals and families residing in Dallas County, Texas.

Trujillo Alto Economic Development Corporation CD
Location: Truijillo Alto, PR
Type of Institution: Loan Fund
Target Market(s): Trujillo Alto Economic Development Corporation's target market consists of an investment area comprised of one unit in Trujillo Alto Minicipio, Puerto Rico.

Urban Financial Group, Inc.
Location: Bridgeport, CT
Type of Institution: Depository Institution Holding Company
Target Market(s): Urban Finance Group, Inc.'s target market consists of African Americans and Hispanics in Hartford and Bridgeport, Connecticut.

Vernon/Commerce Credit Union
Location: Commerce, CA
Type of Institution: Credit Union
Target Market(s): Vernon/Commerce Credit Union's target market consists of an investment area comprised of 61 contiguous census tracts in Los Angeles County, California and Hispanics in East Los Angeles County.

WECO Fund, Inc
Location: Cleveland, OH
Type of Institution: Venture Capital Fund
Target Market(s): WECO Fund, Inc.'s target market consists of African American and Hispanic individuals and families residing in Cuyahoga County, Ohio.

West Texas Credit Union

Location: El Paso, TX
Type of Institution: Credit Union
Target Market(s): West Texas Credit Union's target market consists of Hispanic American individuals and families residing in El Paso County, Texas.

Yellowstone Federal Credit Union

Location: Yellowstone National Park, WY
Type of Institution: Credit Union
Target Market(s): Yellowstone Federal Credit Union's target market consists of an investment area comprised of four contiguous census tracts in Park, Gallatin, and Stillwater Counties in Montana.

YouthBuild Loan Fund, Inc.

Location: Somerville, MA
Type of Institution: Loan Fund
Target Market(s): Youthbuild Loan Fund's target market consists of low-income individuals and families residing nationwide and African American, Hispanic, and Native American individuals and families residing nationwide.